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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BOARD OF PATENT APPEALS AND INTERFERENCES

Application No.	10/782,977
Inventor:	David S. MILLER
Confirmation No.	2614
Filing Date:	February 23, 2004
Title	SYSTEM FOR TAX DATA COLLECTION (as amended)
Examiner	Susanna M. DIAZ
Art Unit	3694 (formerly 3623)
Attorney Docket No.	31921-192598
Customer No.	26694

APPEAL BRIEF

Mail Stop: ***Appeal Brief - Patents***
Commissioner for Patents
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Sir:

In response to the Final Office Action dated December 22, 2005, Appellant submits herewith an Appeal Brief in accordance with 37 C.F.R. § 41.37. Pursuant to 37 C.F.R. § 41.20(b)(2), please charge the required small entity fee of $250. Appellant submits herewith a Petition for Extension of Time within the fifth month under 37 C.F.R. § 1.136(a) and associated fee of $1080.00. Any necessary additional fees are hereby authorized to be charged, and any overpayments credited to, our Deposit Account No. 22-0261, referencing our docket no. 31921-192598. The Notice of Appeal was timely filed on June 21, 2006, in accordance with 37 C.F.R. § 41.31(a)(3).

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[1] The Table of Contents is included for reference purposes only and not to limit the issues to be reviewed on appeal.

I. REAL PARTY IN INTEREST – 37 C.F.R. § 41.37(c)(1)(i)

The real party in interest is Simplification, LLC of New York, NY, the owner of U.S. Patent Application No. 10/782,977 by virtue of assignment of the parent and grandparent applications (Appl. No. 09/776,707, now U.S. Patent No. 6,697,787, and Appl. No. 09/073,027, now U.S. Patent No. 6,202,052) from the inventor, David S. Miller of New York, NY, recorded May 7, 1998, at Reel 009164, Frame 0132.

II. STATEMENT OF RELATED APPEALS AND INTERFERENCES – 37 C.F.R. § 41.37(c)(1)(ii)

The above-named real party in interest, Simplification, LLC, ("Simplification") filed a patent infringement action in the United States District Court for the District of Delaware against Block Financial Corporation ("Block") on April 8, 2003, based on U.S. Patent 6,202,052 (hereinafter "the '052 patent"), the grandparent patent of the instant application. Civil Action No. 03-355-JJF. Block filed a request for reexamination of the '052 patent on July 11, 2003, which reexamination was granted by the Office on October 2, 2003, as Reexam Control No. 90/006,713. The parties filed a stipulation staying the case pending reexamination on November 21, 2003, the stay being granted on November 25, 2003. Reexam Control No. 90/006,713 is currently under appeal at the Board, the Reply Brief having been filed on March 15, 2006.

Simplification also filed a patent infringement action against Block in the United States District Court for the District of Delaware on February 24, 2004, based on U.S. patent 6,697,787 (hereinafter "the '787 patent"), the parent patent of the instant application. Civil Action No. 04-114-JJF. The '787 patent issued from a continuation application of Application No. 09/073,027, now the '052 patent. Block filed a request for reexamination of the '787 patent on March 15, 2004, which reexamination was granted by the Office on June 3, 2004, as this reexamination. The case was stayed pending reexamination on May 10, 2004. Reexam Control No. 90/006,969 is currently under appeal at the Board, the Reply Brief having been filed on August 22, 2006.

Simplification also filed Application No. 09/803,667 on March 12, 2001, as a continuation-in-part application of Application No. 09/073,027, now the '052 patent, and subsequently filed a divisional application, Application No. 10/978,430, from Application No. 09/803,667, on November 2, 2004. Application No. 10/978,430 was finally rejected on July 5, 2006, and is currently under appeal, the Appeal Brief having been filed on November 14, 2006.

As of January 22, 2007, the filing date of this Appeal Brief, there are no other appeals, interferences or judicial proceedings known to the Appellant/Applicant or Appellant/Applicant's legal representatives that will directly affect or will be directly affected by or have bearing on the Board's decision in this appeal.

III. STATUS OF CLAIMS – 37 C.F.R. § 41.37(c)(1)(iii)

Pending claims 21-68 have been finally rejected, and are appealed. Claims 1-20 were cancelled by preliminary amendment.

IV. STATUS OF AMENDMENTS – 37 C.F.R. § 41.37(c)(1)(iv)

No responses have been filed subsequent to the Examiner's final rejection dated December 22, 2005, other than the Notice of Appeal which was timely filed on June 21, 2006.

V. SUMMARY OF CLAIMED SUBJECT MATTER – 37 C.F.R. § 41.37(c)(1)(v)

A. The Independent Claims on Appeal – Claims 21, 29, 37, 45, 53, and 61

The following explanation of the claimed subject matter, with reference to the specification and drawings of the instant application, is by way of example and for explanation only. The invention is not limited to the disclosed embodiments, and certain elements may be found in more than one of the disclosed embodiments.

Claim 21

Claim 21 recites a computer-readable medium embodying a computer program for automatic tax data collection by an electronic intermediary (FIGS. 1 and 2; page 7, line 20 – page 8, line 17; page 9, lines 10-12). The computer program comprises code segments for:

- connecting electronically said electronic intermediary 21 to a tax data provider 22-27 (FIG. 1, block 12; FIG. 2; page 9, line 13 – page 10, line 2; page 12, line 6 – page 13, line 1);
- collecting electronically tax data from said tax data provider 22-27, wherein said tax data is taxpayer specific tax data (FIG. 1, block 12; FIG. 2; page 12, line 6 – page 13, line 12);
- processing electronically said tax data collected electronically from said tax data provider 22-27 to obtain processed tax data (FIG. 1, block 13; page 13, line 18 – page 14, line 12); and
- preparing electronically an electronic tax return using said processed tax data (FIG. 1, block 14; page 14, lines 13-18).

Claim 29

Claim 29 recites a method for automatic tax collection by an electronic intermediary 21 (FIGS. 1 and 2; page 7, lines 1-5; page 9, lines 10-12). The method (as shown for example in FIG. 1) comprises:

- connecting electronically said electronic intermediary 21 to a tax data provider 22-27 (FIG. 1, block 12; FIG. 2; page 9, line 13 – page 10, line 2; page 12, line 6 – page 13, line 1);
- collecting electronically tax data from said tax data provider 22-27, wherein said tax data is taxpayer specific tax data (FIG. 1, block 12; FIG. 2; page 12, line 6 – page 13,

line 12);

- processing electronically said tax data collected electronically from said tax data provider 22-27 to obtain processed tax data (FIG. 1, block 13; page 13, line 18 – page 14, line 12); and
- preparing electronically an electronic tax return using said processed tax data (FIG. 1, block 14; page 14, lines 13-18).

Claim 37

Claim 37 recites an apparatus for automatic tax data collection by an electronic intermediary 21 (FIGS. 1 and 2; page 7, lines 9-15; page 9, lines 10-12). The apparatus comprises:

- means 21 for connecting electronically said electronic intermediary 21 to a tax data provider 22-27 (FIG. 1, block 12; FIG. 2; page 9, line 13 – page 10, line 2; page 12, line 6 – page 13, line 1);
- means 21 for collecting electronically tax data from said tax data provider 22-27, wherein said tax data is taxpayer specific tax data (FIG. 1, block 12; FIG. 2; page 12, line 6 – page 13, line 12);
- means 21 for processing electronically said tax data collected electronically from said tax data provider 22-27 to obtain processed tax data (FIG. 1, block 13; page 13, line 18 – page 14, line 12); and
- means 21 for preparing electronically an electronic tax return using said processed tax data (FIG. 1, block 14; page 14, lines 13-18).

Claim 45

Claim 45 recites a computer-readable medium embodying a computer program for automatic tax data collection by an electronic intermediary 21 (FIGS. 1 and 2; page 7, line 20 – page 8, line 17; page 9, lines 10-12). The computer program comprises code segments for:

- connecting electronically a tax data provider 22-27 to said electronic intermediary 21 (FIG. 1, block 12; FIG. 2; page 9, line 13 – page 10, line 2; page 12, line 6 – page 13, line 1);
- providing electronically tax data from said tax data provider 22-27 to said electronic intermediary 21, wherein said tax data is taxpayer specific tax data (FIG. 1, block 12;

FIG. 2; page 12, line 6 – page 13, line 12);

- wherein said electronic intermediary 21 processes electronically said tax data collected electronically from said tax data provider 22-27 to obtain processed tax data (FIG. 1, block 13; page 13, line 18 – page 14, line 12); and
- wherein said electronic intermediary 21 prepares electronically an electronic tax return using said processed tax data (FIG. 1, block 14; page 14, lines 13-18).

Claim 53

Claim 53 recites a method for automatic tax collection by an electronic intermediary 21 (FIGS. 1 and 2; page 7, lines 1-5; page 9, lines 10-12). The method (as shown for example in FIG. 1) comprises:

- connecting electronically a tax data provider 22-27 to said electronic intermediary 21 (FIG. 1, block 12; FIG. 2; page 9, line 13 – page 10, line 2; page 12, line 6 – page 13, line 1);
- providing electronically tax data from said tax data provider 22-27 to said electronic intermediary 21, wherein said tax data is taxpayer specific tax data (FIG. 1, block 12; FIG. 2; page 12, line 6 – page 13, line 12);
- wherein said electronic intermediary 21 processes electronically said tax data collected electronically from said tax data provider 22-27 to obtain processed tax data (FIG. 1, block 13; page 13, line 18 – page 14, line 12); and
- wherein said electronic intermediary 21 prepares electronically an electronic tax return using said processed tax data (FIG. 1, block 14; page 14, lines 13-18).

Claim 61

Claim 61 recites an apparatus for automatic tax data collection by an electronic intermediary 21 (FIGS. 1 and 2; page 7, lines 9-15; page 9, lines 10-12). The apparatus comprises:

- means 21 for connecting electronically a tax data provider 22-27 to said electronic intermediary 21 (FIG. 1, block 12; FIG. 2; page 9, line 13 – page 10, line 2; page 12, line 6 – page 13, line 1);
- means 21 for providing electronically tax data from said tax data provider 22-27 to said electronic intermediary 21, wherein said tax data is taxpayer specific tax data

(FIG. 1, block 12; FIG. 2; page 12, line 6 – page 13, line 12);

- wherein said electronic intermediary 21 processes electronically said tax data collected electronically from said tax data provider 22-27 to obtain processed tax data (FIG. 1, block 13; page 13, line 18 – page 14, line 12); and
- wherein said electronic intermediary 21 prepares electronically an electronic tax return using said processed tax data (FIG. 1, block 14; page 14, lines 13-18).

VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL – 37 C.F.R. § 41.37(c)(1)(vi)

A. Whether claims 21-68 are unpatentable under 35 U.S.C. § 112, first paragraph, for failing to comply with the written description requirement.

B. Whether claims 21-68 are unpatentable under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

C. Whether claims 21, 22, 24, 29, 30, 32, 37, 38, 40, 45, 46, 48, 53, 54, 56, 61, 62, and 64 are unpatentable under 35 U.S.C. § 102(b) as being anticipated by the integration of MacInTax with Dollars & Sense, as disclosed in Beamer ("A Marriage of Convenience"), and further supported by the disclosure of the article, "It's W-2 Time."

D. Whether claims 23, 25-28, 31, 33-36, 39, 41-44, 47, 49-52, 55, 57-60, 63, and 65-68 are unpatentable under 35 U.S.C. § 103(a) over the integration of MacInTax with Dollars & Sense, as disclosed in Beamer ("A Marriage of Convenience"), and further supported by the disclosure of the article, "It's W-2 Time," as applied to claims 21, 22, 24, 29, 30, 32, 37, 38, 40, 45, 46, 48, 53, 54, 56, 61, 62, and 64, in view of Official Notice taken by the Examiner.

VII. ARGUMENT – 37 C.F.R. § 41.37(c)(1)(vii)

A. The Rejection of Claims 21-68 Under 35 U.S.C. § 112, First Paragraph

The Appellant respectfully traverses, and hereby appeals, the final rejection of claims 21-68 under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description requirement because the Office has failed to meet its burden of presenting, by a preponderance of evidence, why a person skilled in the art would not recognize in the specification of the instant application a description of the invention defined by claims 21-68.

The first paragraph of 35 U.S.C. § 112 requires that the "specification shall contain a written description of the invention" This requirement is separate and distinct from the enablement requirement. *See, e.g., Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1560, 19 U.S.P.Q.2d 1111, 1114 (Fed. Cir. 1991). To satisfy the written description requirement, a patent specification must describe the claimed invention in sufficient detail that one skilled in the art can reasonably conclude that the inventor had possession of the claimed invention. *See, e.g., Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1319, 66 U.S.P.Q.2d 1429, 1438 (Fed. Cir. 2003); *Vas-Cath*, 935 F.2d at 1563, 19 U.S.P.Q.2d at 1116. Moreover, the examiner has the initial burden of presenting by a preponderance of evidence why a person skilled in the art would not recognize in an applicant's disclosure a description of the invention defined by the claims. M.P.E.P. § 2163(III)(A) (citing *In re Wertheim*, 541 F.2d 257, 263, 191 U.S.P.Q. 90, 97 (C.C.P.A. 1976)).

The fundamental factual inquiry in determining the sufficiency of the written description is whether the specification conveys with reasonable clarity to ***those skilled in the art*** that, as of the filing date sought, applicant was in possession of the invention as now claimed. M.P.E.P. § 2163(I)(B) (citing *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1563, 19 U.S.P.Q.2d 1111, 1116 (Fed. Cir. 1991)) (emphasis added); M.P.E.P. § 2106(V)(B)(1) (citing *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1568, 43 U.S.P.Q.2d 1398, 1405 (Fed. Cir. 1997)). Furthermore, "[t]he claimed invention subject matter need not be described literally, i.e., using the same terms, in order for the disclosure to satisfy the description requirement." M.P.E.P. § 2106(V)(B)(1). "***Software aspects of inventions may be described functionally***." *Id.* (citing *Robotic Vision Sys. v. View Eng'g, Inc.*, 112 F.3d 1163, 1166, 42 U.S.P.Q.2d 1619, 1622-23 (Fed. Cir. 1997); *Fonar Corp. v. General Electric Co.*, 107 F.3d 1543, 1549, 41 U.S.P.Q.2d 1801, 1805 (Fed. Cir. 1997); *In re Hayes Microcomputer Prods., Inc.*, 982 F.2d 1527, 1537-38, 25 U.S.P.Q.2d 1241, 1248-49 (Fed.

Cir. 1992)) (emphasis added).

For many computer-related inventions, it is not unusual for the claimed invention to involve more than one field of technology. Here, in the context of a computer-related invention directed to a system for tax data collection, "those skilled in the art" include at least persons skilled in the art of taxes **and** persons skilled in the art of computer programming. Thus, for at least the following three reasons, the Appellant respectfully submits that the specification does, in fact, convey with reasonable clarity to ***those skilled in the art*** that, as of the filing date sought, the Appellant was in possession of the invention and that the Final Office Action fails to satisfy the initial burden of presenting by a preponderance of evidence why ***a person skilled in the art*** would not recognize in an applicant's disclosure a description of the invention defined by claims 21-68. *See also* Appellant's Amendment filed October 3, 2005, pages 14-19.

First, the Final Office Action states that it is not clear from the disclosure how the step of "electronically collecting [sic] tax data from a tax data provider," as recited in independent claims 21, 29, 37, 45, 53 and 61, is performed. *See* Final Office Action, page 9, lines 21-22. The Appellant respectfully disagrees and points to at least, for example, FIG. 1 (step 12) as well as page 12, line 6 – page 13, line 1, of the instant disclosure, which recites:

> In step 12, ***the electronic intermediary electronically collects tax data from the tax data providers using electronic links. The electronic intermediary connects electronically to each tax data provider that has tax data pertaining to the taxpayer using the electronic links.*** Referring to FIG. 2, the electronic intermediary 21 electronically connects to the taxpayer's employers 22 through electronic links 32, to the taxpayer's banks 23 through electronic links 33, to the taxpayer's brokerage firms 24 through electronic links 34, to the taxpayer's charities 25 through electronic links 35, to taxing authorities 27 through electronic links 37, and to the taxpayer's other tax data providers 26 through electronic links 36. FIG. 2 is illustrative, and the electronic intermediary 21 can connect electronically with and collect tax data electronically from other tax data providers, as discussed above in step 11.
>
> In FIG. 2, the electronic links 32-37 can be provided in a number of ways. ***Non-limiting examples of electronic links used to connect electronically the electronic intermediary and the tax data providers include: a general purpose computer electronically connected to telephone communication equipment using, for example, a modem or to an electronic data network, such as the Internet; or a computer-readable***

> ***medium for transferring and receiving the tax data.***
> (Emphasis added).

Thus, the electronic intermediary connects electronically to a tax data provider using at least one electronic link, and then, once connected, collects electronically tax data held by the tax data provider pertaining to the particular taxpayer. In view of the foregoing, the Appellant respectfully submits that a person skilled in the art would, in fact, recognize in the instant specification a description of the invention defined by the claims, including the step of "collecting electronically tax data from said tax data provider," as recited in at least claim 21.

Furthermore, in addition to the portions of the specification already cited above, page 9, lines 13-14 provides, for example, that "[i]n step 11, the taxpayer 20 provides the electronic intermediary 21 with information on tax data providers." The instant disclosure further recites, at page 10, line 3 – page 11, line 3 (emphasis added):

> ***The information provided by the taxpayer to the electronic intermediary may include identification***, such as the taxpayer's social security number, so that electronic data networks, such as the Internet, or electronic data bases may be searched by the electronic intermediary for the taxpayer's tax data. Alternatively, ***the taxpayer could specifically identify the tax data providers and could include information on how to contact the tax data providers electronically***, if the electronic intermediary cannot automatically search for and locate the tax data providers. Additionally, ***the taxpayer can provide the electronic intermediary with authorization to contact and receive information from the tax data providers***. Moreover, the ***taxpayer can provide the electronic intermediary with information concerning basic questions designed to identify special tax cases***. For example, the taxpayer could be asked whether the taxpayer has donated money or other items to charities. If the taxpayer has donated, the electronic intermediary then notes that these charities need to be electronically contacted for collection of tax data.
>
> ***The taxpayer can provide the electronic intermediary with the information on the tax data providers*** in a number of ways. For example, the electronic intermediary could prompt the taxpayer for the information, and ***the taxpayer could provide the information using an input means***. Non-limiting examples of the input means include: a keyboard, a mouse, a microphone, and a telephone touch-tone pad. In FIG. 2, the communication between the taxpayer 20 and the electronic intermediary 21 is indicated by link 31. In the preferred embodiment, this link is an electronic link. Non-limiting examples of such an electronic

> link include: input means for a computer, a modem, telephone communication equipment, and an electronic data network, such as the Internet.

FIG. 1 also shows that step 11 includes providing information on the tax data providers. This "manual" step is performed by the taxpayer to allow the electronic intermediary to automatically connect to relevant tax data providers. Even though this step is **not** recited in claims 21, 29, 37, 45, 53 and 61, which recite automatic steps and elements, such recitation helps define how the step of "collecting electronically tax data from a tax data provider," as recited in independent claims 21, 29, 37, 45, 53 and 61, is performed.

On this point, the Final Office Action further states that Appellant has yet to answer questions regarding "the intended scope of Applicant's disclosed and claimed invention." Final Office Action, page 3, lines 6-8. In response, the Appellant respectfully submits that this inquiry seems to be irrelevant to a determination of the sufficiency of the written description and that Appellant is not required to affirmatively state or make any admission in this context regarding such "intended scope." Thus, for the reasons set forth herein, the specification is believed to describe the claimed invention in sufficient detail that one skilled in the art could reasonably conclude that the inventor had possession of the claimed invention.

Second, the Final Office Action specifically points to claims 24-26, 32-34, 40-42, 48-50, 56-58, and 64-66, and, ostensibly, rejects the subject matter recited therein as not being sufficiently described in the specification. *See* Final Office Action, page 9, line 23 – page 10, line 15. The Appellant respectfully submits that the position taken in the Final Office Action appears to more closely resemble an indefiniteness argument, which is more appropriately addressed under the second paragraph of 35 U.S.C. § 112. *See* section VII(B) below. Nonetheless, in order to fully respond to the Final Office Action, this point is addressed here with regard to the written description requirement under section 112, first paragraph. *See also* Appellant's Amendment filed October 3, 2005, Section III, pages 15-17. In response, the Appellant respectfully submits that a person skilled in the art would recognize in the instant specification a description of the invention defined by claims 24-26, 32-34, 40-42, 48-50, 56-58, and 64-66.

Claim 24, for example, recites that the "taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form." The Final Office Action states that

"[i]t is not clear whether this limitation is meant to be a positive recitation of actively reporting data on an Internal Revenue Service ("IRS"), state, local, or foreign tax form or whether the limitation provides a mere clarification of the tax data as being the type of data that one would typically find reported on an Internal Revenue Service ("IRS"), state, local, or foreign tax form." Final Office Action, page 10, lines 4-9. Furthermore, in this context, the Final Office Action asks, "does Applicant's invention report the actual image data or an OCR version of the contents of an entire Internal Revenue Service ("IRS"), state, local, or foreign tax form or merely any data that would typically be found on each of the respective forms and used for tax reporting purposes?" Final Office Action, page 3, lines 8-11. Notwithstanding the fact that this inquiry seems to be irrelevant to a determination of the sufficiency of the written description, the Appellant respectfully submits that this recitation should be properly construed to include taxpayer specific tax data which is typically found on IRS, state, local, and/or foreign tax forms. Support may be found in the instant specification at, for example, page 4, lines 14-19, which describes the type of data and information needed to compute tax liability for a taxpayer:

> This information includes: IRS Forms W-2 from their employers; IRS Forms 1099 from their banks; each mutual fund in which interests are held, each broker in respect of dividends, interest and gross brokerage proceeds, and other persons from whom payments are received; IRS Forms 1098 in respect of residential mortgage interest paid; and canceled checks or other acknowledgments from charitable organizations.

Claims 32, 40, 48, 56, and 64 include the same recitation and are, therefore, similarly supported in the instant specification. Moreover, the term "corresponds," recited in at least claim 21 and questioned in the Final Office Action at page 11, lines 4-16, supports this interpretation. Accordingly, the Appellant respectfully submits that a person skilled in the art would, in fact, recognize in the instant specification a description of the invention defined by claims 24, 32, 40, 48, 56, and 64.

In response to the argument presented at page 3, line 15 – page 4, line 5 of the Final Office Action that the portion of the disclosure cited in support of the recitations in at least claim 24 is part of the Background of the invention, the Appellant respectfully submits that the background of the invention is, nevertheless, part of the original disclosure and, therefore, may provide support for claim language. Moreover, with regard to the Examiner's position that "[t]he scope of claim 24 is broader than that disclosed in the cited excerpt" and that "it is

not clear that Applicant had possession of such expanded breadth of the invention at the time of the earliest effective filing date," the Appellant respectfully responds by noting that "[t]he claimed invention subject matter need not be described literally, i.e., using the same terms, in order for the disclosure to satisfy the description requirement." M.P.E.P. § 2106(V)(B)(1). Accordingly, the Appellant respectfully submits that ***a person skilled in the art*** would, in fact, recognize in the instant specification a description of the invention defined by claims 24, 32, 40, 48, 56, and 64.

Claim 25 recites that the "at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes." The instant specification provides that a tax provider may provide each of these items of tax liability as tax data to the electronic intermediary. *See, e.g.*, page 9, line 18 – page 10, line 2; page 13, lines 2-5. For example, with regard to wages as an item of taxpayer specific tax data related to tax liability, the taxpayer's employer may provide a payroll statement which generally includes items of tax liability such as, wages. *Id.* Claims 33, 41, 49, 57, and 65 include the same recitation and are, therefore, similarly supported in the instant specification. Accordingly, the Appellant respectfully submits that a person skilled in the art would, in fact, recognize in the instant specification a description of the invention defined by claims 25, 33, 41, 49, 57, and 65.

Claim 26 recites that the "IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099." The instant specification provides support for the varying types of IRS Forms at, for example, page 4, lines 1-2; page 4, lines 11-19; and page 14, line 18. Claims 34, 42, 50, 58, and 66 include the same recitation and are, therefore, similarly supported in the instant specification. Accordingly, the Appellant respectfully submits that a person skilled in the art would, in fact, recognize in the instant specification a description of the invention defined by claims 26, 34, 42, 50, 58, and 66.

Third, the Final Office Action poses the following question: "[o]nce the tax data is received electronically from a tax data provider, how does the means for preparing electronically an electronic tax return know how to manipulate such data to perform the proper calculations necessary to complete the electronic tax return?" Final Office Action, page 10, lines 15-18; page 3, lines 11-14. The focus of the inquiry is unclear, but, in order to move prosecution forward, the Appellant assumes that the Final Office Action is referring to

claims 37-44 and 61-68 ("means for preparing electronically"). In response to the question posed in the Final Office Action, the Appellant respectfully submits that the instant specification sufficiently describes how the tax data is processed and used to prepare an electronic tax return. For example, the specification describes the tax data processing and tax return preparing steps 13 and 14, respectively, as follows:

> In step 13, the electronic intermediary processes the tax data obtained electronically from the tax data providers in step 12. In the present invention, ***step 13 can be implemented using a computer program similar to the computer programs currently available in the market place, such as TurboTax, which is a registered trademark of Intuit, Inc. Although step 13 can be implemented with current technology, the current technology requires that the tax data and other information relevant to the taxpayer be inputted manually. With the present invention, this information is obtained as described above in steps 11 and 12.***
>
> Further, ***in step 13, the electronic intermediary processes the tax data by performing the appropriate tax computations.*** Non-limiting examples of appropriate tax computations include: addition, subtraction, multiplication, and division to determine the taxpayer's gross income, relevant deductions, net taxable income, and tax liability. As an illustration, the electronic intermediary compiles the home mortgage interest paid by the taxpayer and reported as tax data by the financial institutions to the electronic intermediary and determines the taxpayer's relevant deduction for the home mortgage interest paid to the financial institutions.
>
> In ***step 14, the electronic intermediary prepares electronic tax returns using the processed tax data from step 13. Similar to step 13, step 14 can be implemented using current technology.*** In practicing the invention, ***the electronic tax returns are prepared with respect to the particular taxing authorities***. For example, if the taxing authority is the IRS, the electronic tax return will correspond to the appropriate federal tax return, such as the Form 1040 or the Form 1040EZ.

Page 13, line 18 – page 14, line 18 (emphasis added); *see also* FIG. 1, blocks 13 & 14. The foregoing recitations describe how the electronic intermediary electronically prepares an electronic tax return using the processed tax data. Accordingly, a person skilled in the art would recognize in the instant specification a description of the invention defined by claims.

Furthermore, the Final Office Action maintains that "[b]ased on the disclosure in the specification, **the Examiner interprets the claim scope as embodying any means/method** for transferring data typically gleaned from a W-2, 1099, and 1098 form, in any format (and not necessarily inclusive of all of the data printed on the standard IRS version of each respective form), to prepare a tax return." Final Office Action, page 10, line 20 – page 11, line 2 (emphasis added). The Appellant respectfully disagrees with this interpretation of the claim scope. *See also* Appellant's Amendment filed October 3, 2005, pages 18-19. Claims 37 and 61, for example, recite an apparatus for automatic tax data collection by an electronic intermediary, the apparatus being defined by multiple means-plus-function clauses which must be construed by the Office according to 35 U.S.C. § 112, sixth paragraph. Therefore, the terms in the means-plus-function clauses correspond to the structure(s) disclosed in the written description and equivalents thereof and **not** to "any means/method for transferring data typically gleaned from a W-2, 1099, and 1098 form, in any format, . . . to prepare a tax return," as asserted in the Final Office Action. In this case, the means for preparing electronically an electronic tax return using said processed tax data is supported and described at, for example, FIG. 1, blocks 13 & 14; FIG. 2, element 21; and page 14, lines 13-18.

The Final Office Action ostensibly addresses this argument by reiterating that "Applicant's intended scope of the invention is ambiguous" and that "the Examiner has had difficulty ascertaining the level of automation envisioned by the Applicant at the time of the earliest effective filing date." Page 4, lines 13-17. The Final Office Action further states that "[t]he specification and claim language are so vague that the Examiner cannot assess the true metes and bounds of the invention because the Applicant has not pointed out clear-cut claim language that is supported by the original disclosure and fully explains the intended level of automation." Page 4, lines 18-21. Notwithstanding the fact that these inquiries seem to be irrelevant to a determination of the sufficiency of the written description, the Appellant respectfully submits that the recitation of the term "automatic" in the preamble of each independent claim signifies that each and every step/feature recited in the claims is performed automatically. *See* Sections VII(C)(2)(a)-(e), *infra*. Therefore, the scope of the claims is not believed to be vague or ambiguous, and, for at least the reasons set forth above, it is respectfully submitted that a person skilled in the art would recognize in the instant specification a description of the invention defined by claims.

In sum, the Office has not met its burden of presenting, by a preponderance of evidence, why ***a person skilled in the art*** would not recognize in an applicant's disclosure a description of the invention defined by claims 21-68. Accordingly, the rejection of claims 21-68 under 35 U.S.C. § 112, first paragraph, should be reversed.

B. The Rejection of Claims 21-68 Under 35 U.S.C. § 112, Second Paragraph

The Appellant respectfully traverses, and hereby appeals, the final rejection of claims 21-68 under 35 U.S.C. § 112, second paragraph, for at least the following two reasons.

First, the Final Office Action improperly uses, *in haec verba*, the same argument for both the section 112, first paragraph, written description rejection and the section 112, second paragraph, indefiniteness rejection. These are two completely separate statutory standards of patentability having completely different requirements and underlying purposes. *See* M.P.E.P. § 2174. Nevertheless, because the Office applies the same reasoning to each rejection, the Appellant hereby incorporates by reference each of the arguments made above in Section VII(A) of this brief.

Second, the Appellant respectfully submits that claims 21-68 are not indefinite. As will be further discussed below in Sections VII(C)(2)(a)-(e), the term "automatic" in the preamble of each of claims 21, 29, 37, 45, 53, and 61 is applicable to each of the claim elements and serves to clarify that each and every positively recited step/element is performed automatically. Further, with respect to the recitation that "said taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form" in claims 24, 32, 40, 48, 56, and 64, the Appellant reiterates that such recitation serves to clarify and/or make more definite the type of tax data collected. *See* Section VII(A), *supra*.

Thus, the Appellant respectfully submits that the rejection of claims 21-68 under 35 U.S.C. § 112, second paragraph, is improper and should be reversed.

C. The Rejection of Claims 21, 22, 24, 29, 30, 32, 37, 38, 40, 45, 46, 48, 53, 54, 56, 61, 62, and 64 Under 35 U.S.C. § 102(b)

The Final Office Action rejects claims 21, 22, 24, 29, 30, 32, 37, 38, 40, 45, 46, 48, 53, 54, 56, 61, 62, and 64 under 35 U.S.C. § 102(b) as being anticipated by S. Beamer, "A Marriage of Convenience" (hereinafter Beamer) and further supported by the article "It's W-2

Time." The Appellant respectfully traverses the rejection and hereby appeals the same.

35 U.S.C. § 102(b) states that "[a] person shall be entitled to a patent unless -

> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States

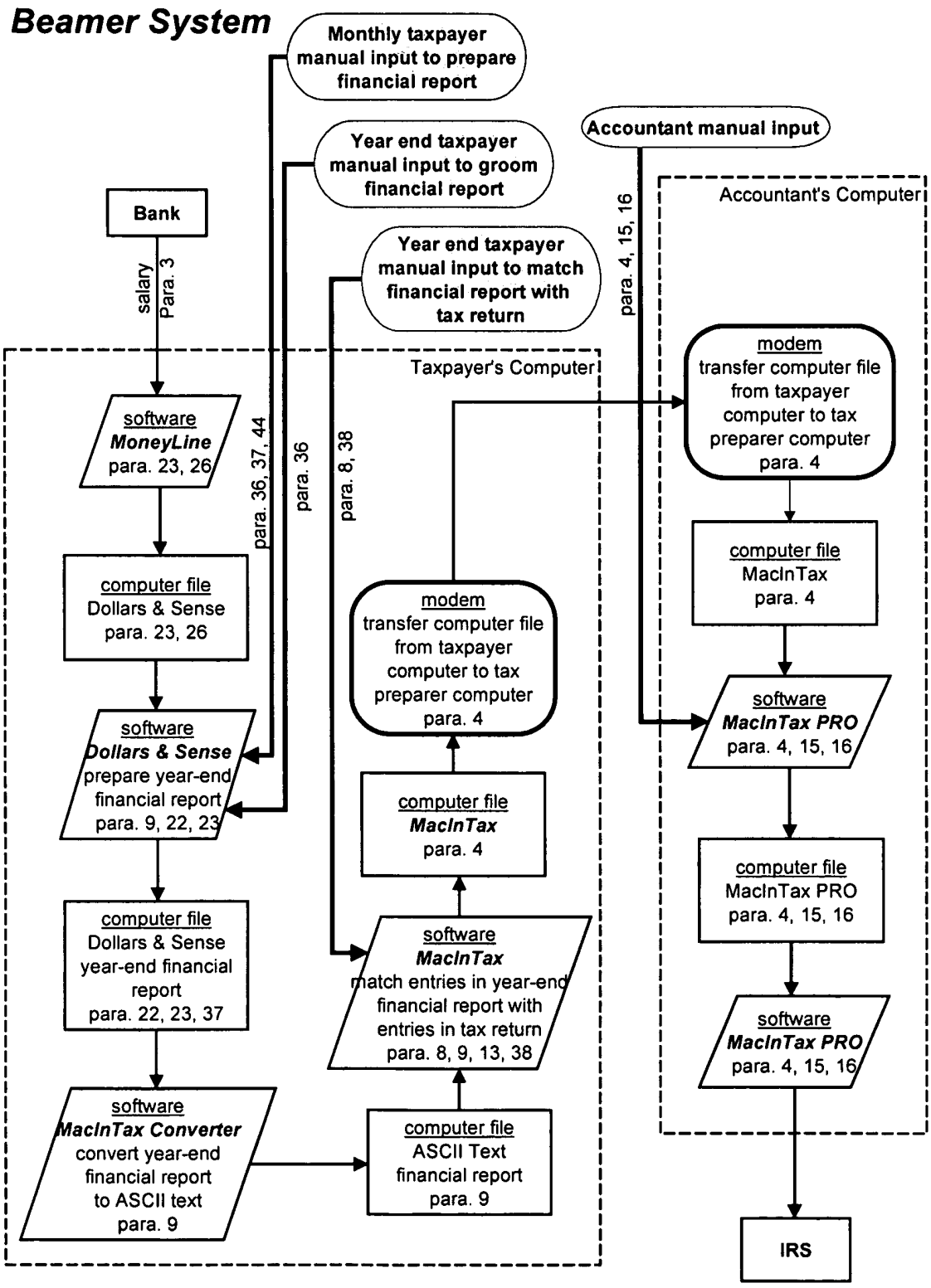
"A claim is anticipated only if **each and every element** as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." *Verdegaal Bros. v. Union Oil Co. of California*, 814 F.2d 628, 631, 2 U.S.P.Q.2d 1051, 1053 (Fed. Cir. 1987) (emphasis added); M.P.E.P. § 2131. Furthermore, "[t]he identical invention must be shown in as complete detail as is contained in the . . . claim." *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1236, 9 U.S.P.Q.2d 1913, 1920 (Fed. Cir. 1989).

The Appellant respectfully submits that Beamer fails to teach each and every element set forth in at least independent claims 21, 29, 37, 45, 53, and 61. A full and complete description of Beamer's tax preparation methodology was provided in Section V(A) of Appellant's Amendment, filed October 3, 2005 (pages 20-27), and is hereby reproduced below in Sections VII(C)(1)(a)-(b) for the Board's review. Copies of Beamer and "It's W-2 Time" are attached hereto as Attachments A & B, respectively.

1. Scott Beamer's Tax Preparation Methodology Using MaxInTax

a. Beamer

According to Beamer, preparation of a tax return using MacInTax requires four software programs (i.e., MoneyLine, Dollars & Sense, MacInTax Converter, and MacInTax). The following figure depicts the various software programs used according to Beamer and the flow of data through the Beamer system.


Beamer System
Monthly taxpayer manual input to prepare financial report
Year end taxpayer manual input to groom financial report
Year end taxpayer manual input to match financial report with tax return
Accountant manual input
Bank
salary Para. 3
Taxpayer's Computer
Accountant's Computer
para. 36, 37, 44
para. 36
para. 8, 38
para. 4, 15, 16
software MoneyLine para. 23, 26
computer file Dollars & Sense para. 23, 26
software Dollars & Sense prepare year-end financial report para. 9, 22, 23
computer file Dollars & Sense year-end financial report para. 22, 23, 37
software MacInTax Converter convert year-end financial report to ASCII text para. 9
computer file ASCII Text financial report para. 9
software MacInTax match entries in year-end financial report with entries in tax return para. 8, 9, 13, 38
computer file MacInTax para. 4
modem transfer computer file from taxpayer computer to tax preparer computer para. 4
modem transfer computer file from taxpayer computer to tax preparer computer para. 4
computer file MacInTax para. 4
software MacInTax PRO para. 4, 15, 16
computer file MacInTax PRO para. 4, 15, 16
software MacInTax PRO para. 4, 15, 16
IRS

First, using the MoneyLine software program, the taxpayer transfers a bank record indicating a salary deposit for a taxpayer from a bank to a file readable by the Dollars & Sense software program. Beamer, ¶¶ 3, 23, 26.

Second, with the Dollars & Sense software program, which is a **personal finance management program**, the **taxpayer prepares monthly updates** of the Dollars & Sense file throughout the year and grooms (i.e., finally prepares) a year-end financial report of the Dollars & Sense file. Beamer, ¶¶ 9, 22, 23, 36, 37. Specifically, the taxpayer: (1) provides **monthly manual input** throughout the year to prepare a monthly financial report each month; and (2) provides **manual input** at **year end** to groom the financial report to prepare a year-end financial report for use in preparing a tax return. Beamer, ¶¶ 30-37. The Dollars & Sense software program does **not** automatically produce monthly financial report updates and the year-end financial report. Instead, a significant amount of **user manual input** is required by the taxpayer to **manipulate** the data from the bank into a form that is useable for determining taxes. This **user manual input** is done both **monthly** and at **year end**. *Id.* According to Beamer:

> If you want to be, [sic] more organized before you start, ***look at a few months*** of canceled checks and credit card receipts....
>
> It helps to have ***a couple months of entries*** up on the screen ***when you are entering transactions***....
>
> ***Little errors pop up frequently.*** If an error is major, say for instance you entered a deposit as a withdrawal or vice versa, the account won't balance and you'll know about it right away. Whenever your accounts don't balance, be careful not to save the unbalanced version over last month's balanced version....
>
> ***Grooming your files at the end of the year is a must.*** If your accounts balance at the end of the year, you are in pretty good shape but ***transactions can still be in the wrong categories. At tax time it is necessary to review all transactions one by one***, making sure that each is in the correct category and correctly marked as taxable or nontaxable. It is best to empty out the "Misc." and "Cash" accounts as much as possible.
>
> Hopefully, before tax time rolls around ***you have been practicing with report templates all year.*** This is the most difficult part of using these programs, especially with MacMoney, because there are so many variables to deal with.

> ***You must make a year end report that will correctly summarize the tax data from your files.*** If you have been using the suggested tax accounts from the program, this shouldn't be too hard.
>
> ***If you balance your accounts even once a month***, in a few months a sense of order will begin to replace disarray....

Beamer, ¶¶ 31, 34-37, 44 (emphasis added).

Third, with the MacInTax Converter software program, the taxpayer converts the Dollars & Sense file for the year-end financial report into an ASCII text file. Beamer, ¶ 9.

Fourth, with the MacInTax software program, the taxpayer accesses the **ASCII text file** for the year-end financial report, **manipulates** the data in the report, and generates a MacInTax file with a tax return. Beamer, ¶¶ 8, 9, 13, 38. To produce the tax return, the MacInTax software program does **not** do this automatically. Instead, to produce the tax return, the taxpayer provides **manual input** to **match** entries in the ASCII text file of the year-end financial report with entries in the tax return. Beamer, ¶¶ 8, 38. According to Beamer:

> MacInTax (for 1986) already includes an interface that will allow it to open ASCII text files as a separate window from within MacInTax. ***You can select data in the window, then point to where you want the data entered in the tax forms***, permitting quick transfer of information from MacMoney to MacInTax.
>
> When it is time to prepare your taxes, open MacInTax and have it fill in the information from last year's forms automatically. Then open the interface window with the [ASCII] text file of your year end financial report. ***Move the data from the [ACSII] text file into the correct locations on the tax forms*** and your returns should be pretty well filled out.

Beamer, ¶¶ 8, 38 (emphasis added).

b. S. Beamer's MacInTax Made Easy

In further support of the **manual** requirements involved in Beamer's system, the Appellant also directs the Board's attention to Scott Beamer's book, MacInTax Made Easy, 1993, submitted previously in an information disclosure statement (IDS) on August 4, 2005, and which has the same author as Beamer. A copy of each page of MacInTax Made Easy cited below is attached hereto as Attachment C. The following excerpts from MacInTax Made Easy further explain the extent of manual input required by a taxpayer in preparing his

or her taxes using Beamer's system with regard to the steps recited in the instant claims.

Regarding converting and importing data into MacInTax to get ready for preparing tax forms, MacInTax Made Easy states:

> Some veteran users may also have prepared their personal financial management data for import into MacInTax. Now is the time to do it, if it seems worth it to you. The problem is that if your data file is in ASCII text, ***MacInTax will import it, but you must cut and paste each number to its appropriate line in MacInTax. The amount of manual effort this entails largely negates the advantage of importing***. Page 18 (emphasis added).

Next, regarding organizing personal records, including income, in preparing a tax return, MacInTax Made Easy states:

> Now it's time to organize your personal records. Hopefully, you have been using an electronic checkbook all year. Otherwise, ***you will have to put in some hard hours collecting, categorizing, and sorting your paper records***. Page 38 (emphasis added).

Regarding converting, importing and updating tax-related records in preparing a tax return, MacInTax Made Easy states:

> ***Anyone who tracks their personal or business finances on their Mac and uses MacInTax must dream of the day when they can fill out their tax return at the click of a button. A few are able to approach such simplicity now, but for most of us, it's a dream only partly fulfilled.*** Pages 91-92 (emphasis added).
>
> MacInTax can import two kinds of files (ASCII text and STD), and now has Publish and Subscribe fully operational for System 7 users. The ***question is whether it is more work to import the data or to just type it in, copying from a printed year-end report. Most still find that the easiest approach is to print out a year-end report in their personal financial management software and type the relevant information into MacInTax.*** Page 92 (emphasis added).

With regard to importing a Quicken® file in preparing a tax return, MacInTax Made Easy states:

> Those who use Quicken certainly have the option of printing out a tax summary report, then re-keying that information into MacInTax. However, Intuit has for years built

a more elegant solution into Quicken. Your year-end report can be exported as an STD (Standard Tax Data) file. ***MacInTax can import an STD file and enter the information automatically in all the appropriate parts of your return.***

The negative side is that you must do considerable preparation for this to happen. Page 92 (emphasis added).

You may have noticed that ***all the effort involved in importing data from Quicken to MacInTax negates much of the advantage of using Import.*** While that's true, next year, and in the years to come, your efforts will pay big dividends. Quicken will remember how you assigned your Quicken categories for MacInTax, and you can skip this step entirely. Actually, ***you will probably have some editing to do***, but that shouldn't take too much time. Page 94 (emphasis added).

With regard to importing a MacMoney file in preparing a tax return, MacInTax Made Easy states:

If you used MacMoney to keep your financial records last year, ***you have three choices for getting that information into your tax return***. As with the other personal financial management software, the ***best choice is often to print out last year's category list*** after the first of the new year. The ***year-to-date totals for tax-related categories can then be typed by hand into MacInTax. This is the simplest method.***

You may wish instead to save to disk, as ASCII text, a tax summary report, such as the category list, which shows year-to-date totals for each category. You ***can then import this report into MacInTax and point and click to transfer amounts to the appropriate lines.***

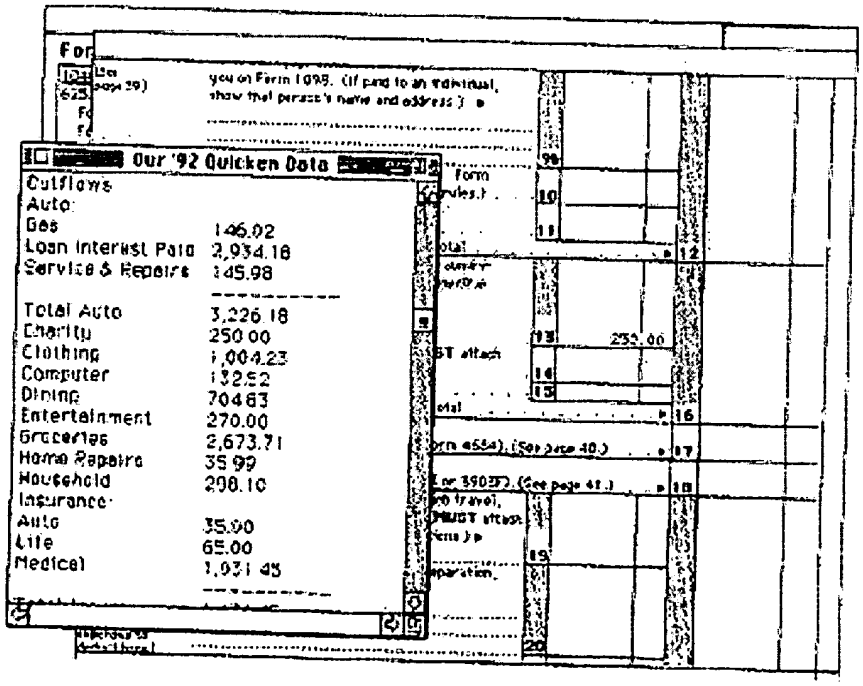
Your ***third choice*** is to ***use the HyperCard stack*** that came on your original MacMoney disk. If for some reason you do not have this stack, you can download it from major bulletin boards or contact Survivor Software. It will prepare an STD file from your MacMoney data. In the HyperCard stack (shown in Figure 8-5), ***you will go through the process of pairing MacMoney categories with MacInTax categories***. The STD file can be imported by MacInTax and the information will flow directly to the correct places. Page 95 (emphasis added).

If you edit your data in MacMoney and want to send the edited version to MacInTax, the HyperCard stack will remember the pairings between your MacMoney categories

> ***and the MacInTax ones. It will prepare the new STD report at the click of a button. Disappointingly, this is not true from year to year. Next year, you will have to match up the categories again.***
>
> Whatever method you use to copy information from MacMoney to MacInTax, ***remember to verify the accuracy of your MacMoney data.*** Any inaccuracies there might migrate to your tax returns. Page 96 (emphasis added).

With regard to importing ASCII text files in preparing a tax return, MacInTax Made Easy states:

> The problem is that ***MacInTax has no way of knowing where to put the dollar amounts from the text file. You will have to tell it by clicking on the dollar amount visible in the import window*** (as seen in Figure 8-6), ***then clicking on the line on a tax form to show MacInTax where to put the information***. This is a sort of streamlined Copy and Paste.
>
> ***The question is, are you saving enough time and effort to justify the extra effort of the ASCII text export and import?*** One minor advantage of importing is that you may reduce the typos that might creep into your tax return if you re-key all the dollar amounts. Page 97 (emphasis added).



TaxMatch converts MacMoney data to STD **Figure 8-6.**

For repeat users of MacInTax, with regard to transferring information filled out from last year's MacInTax return, MacInTax Made Easy provides:

> It will fill in your name, address, social security number, filing status, dependents, and so forth with last year's information. ***It will not fill in your income and deductions with last year's amounts, because these will almost certainly have changed.*** Page 108 (emphasis added).

Other relevant portions of the MacInTax Made Easy book similarly describe the additional amount of manual input and work required by a taxpayer in using the Beamer system to prepare a tax return.

The above description of Beamer's tax preparation methodology, including the several relevant excerpts from MacInTax Made Easy, highlights the extent of manual input and manipulation required in order for a taxpayer to process tax data and prepare a tax return using, *inter alia*, MacInTax (for 1986). This is in stark contrast to the method for "automatic" tax data collection according to the instant invention. For at least the following three reasons, Beamer fails to anticipate independent claims 21, 29, 37, 45, 53, and 61, as amended. *See also* Amendment filed October 3, 2005, Sections (B)-(D), pages 27-37.

2. Beamer Fails to Teach or Suggest "Automatic Tax Data Collection by an Electronic Intermediary"

First, Beamer does not anticipate at least independent claims 21, 29, 37, 45, 53, and 61, because it fails to teach or suggest "**automatic** tax data collection by an electronic intermediary," as recited in each of these claims. The Appellant submits that such recitation in the preamble of each claim limits the recited steps and/or elements such that each positively recited step and/or element MUST be carried out **automatically**. In contrast to the claimed invention, Beamer teaches the type of **manual** tax preparation that the instant invention was intended to solve. A properly construed definition of the term "automatic" and the limiting nature of its recitation in the claim preambles are, thus, significant in distinguishing between the claimed invention and the tax preparation methodology set forth in Beamer.

a. The Preambles Limit the Claims

Although "automatic" is recited in the preamble of each of the pending claims, the

preambles limit the claims. *See* Appellant's Amendment filed October 3, 2005, Section (V)(B)(1), pages 27-29. "The determination of whether a preamble limits a claim is made on a case-by-case basis in light of the facts in each case; there is no litmus test defining when a preamble limits the scope of a claim." M.P.E.P. § 2111.02 (citing *Catalina Mktg. Int'l v. Coolsavings.com, Inc.*, 289 F.3d 801, 808, 62 U.S.P.Q.2d (BNA) 1781, 1785 (Fed. Cir. 2002)). "[A] claim preamble has the import that the claim as a whole suggests for it. In other words, when the claim drafter chooses to use both the preamble and the body to define the subject matter of the claimed invention, the invention so defined, and not some other, is the one the patent protects." *Bell Communications Research, Inc. v. Vitalink Communications Corp.*, 55 F.3d 615, 620, 34 U.S.P.Q.2d (BNA) 1816, 1820 (Fed. Cir. 1995) (emphasis in original). "If the claim preamble, when read in the context of the entire claim, recites limitations of the claim, or, if the claim preamble is 'necessary to give life, meaning, and vitality' to the claim, then the claim preamble should be construed as if in the balance of the claim." *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1305, 51 U.S.P.Q.2d (BNA) 1161, 1165 (Fed. Cir. 1999).

Further, "[a]ny terminology in the preamble that limits the structure of the claimed invention must be treated as a claim limitation." M.P.E.P. § 2111.02. The recitations in the preamble are considered structural limitations by reviewing the application in its entirety "to gain an understanding of what the inventors actually invented and intended to encompass by the claim." *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1257, 9 U.S.P.Q.2d (BNA) 1962, 1966 (Fed. Cir. 1989).

On the other hand, "[i]f the body of a claim fully and intrinsically sets forth all of the limitations of the claimed invention, and the preamble merely states, for example, the purpose or intended use of the invention, rather than any distinct definition of any of the claimed invention's limitations, then the preamble is not considered a limitation and is of no significance to claim construction." M.P.E.P. § 2111.02 (citing *Pitney Bowes*, 182 F.3d at 1305, 51 U.S.P.Q.2d at 1166). "During examination, statements in the preamble reciting the purpose or intended use of the claimed invention must be evaluated to determine whether the recited purpose or intended use results in a structural difference (or, in the case of process claims, manipulative difference) between the claimed invention and the prior art." M.P.E.P. § 2111.02.

Here, the preamble of claim 21, for example, recites in its entirety: "A computer-

readable medium embodying a computer program for automatic tax data collection by an electronic intermediary, said computer program." The body of claim 21 further recites "said electronic intermediary." By reciting **said** electronic intermediary in claim 21, the electronic intermediary recited previously in the preamble of the claim is specifically being referenced. The situation for claim 21 here is the same as for claim 6 of the patent at issue in *Bell Communications*. In *Bell Communications*, the court noted that "said packet" in the body of claim 6 referred to the packet first introduced in the preamble and concluded that "said packet" expressly incorporated by reference the preamble recitation of "packet" into the body of the claim. *Bell Communications*, 55 F.3d at 621, 34 U.S.P.Q.2d at 1820. Following the reasoning in *Bell Communications*, the recitation of "said electronic intermediary" in the body, expressly incorporates by reference the preamble recitation of "automatic tax data collection by an electronic intermediary" into the body of claim 21.

Further, in the recitation of "automatic tax data collection by an electronic intermediary," the phrase "automatic tax data collection" is a structural limitation of the "electronic intermediary." In accordance with the reasoning in *Corning Glass Works*, a review of the instant specification in its entirety makes clear that "automatic tax data collection" is what was invented and intended to be encompassed by at least claim 21. *See, e.g.*, the instant specification, page 6, line 20 – page 7, line 1; page 13, lines 13-17. Thus, "automatic" is a limitation of each of the pending claims.

On the other hand, even if the preamble recitation of "automatic tax data collection by an electronic intermediary" is considered a purpose or an intended use of the invention, the recited purpose or intended use results in a manipulative difference between claims 21, 29, 37, 45, 53, and 61, as amended, and Beamer. As discussed above, Beamer fails to teach "**automatic** tax data collection." Thus, even if the preamble is considered a purpose or an intended use, the preamble limits the scope of the claim.

b. The Ordinary Meaning of "Automatic"

The instant specification does not recite a specific or special definition of the term "automatic." In such cases, a dictionary definition may be relied upon to determine the ordinary meaning of a claim term, so long as the dictionary definition is not contradictory with the specification. *See, e.g., Vitronics Corp. v. Conceptronic*, 90 F.3d 1576, 1584 n.6, 39 U.S.P.Q.2d (BNA) 1573, 1578 n.6 (Fed. Cir. 1996); *accord Phillips v. AWH Corp.*, 415 F.3d

1303, 75 U.S.P.Q.2d 1321 (Fed. Cir. July 12, 2005, as amended July 14, 2005). Webster's Third New International Dictionary, for example, has often been used by the Federal Circuit in cases when there has been a "battle of the terms." *See, e.g., Omega Engineering, Inc. v. Raytek Corp*, 334 F.3d 1314, 1322, 67 U.S.P.Q.2d (BNA) 1321, 1326 (Fed. Cir. 2003) (using Webster's Third New International Dictionary 1681 (1993) to determine the ordinary meaning of "periphery."); *Desper Products, Inc. v. QSound Labs, Inc.*, 157 F.3d 1325, 1333, 48 U.S.P.Q.2d (BNA) 1088, 1094 (Fed. Cir. 1998) (using Webster's Third New International Dictionary 883 (1986) to determine the ordinary meaning of "following"). The Federal Circuit has also looked to technical dictionaries. *See, e.g., In re Thrift*, 298 F.3d 1357, 1364, 63 U.S.P.Q.2d (BNA) 2002, 2006 (Fed. Cir. 2002) (using the IBM Dictionary of Computing 638 (10th Ed. 1994) to determine the ordinary meaning of "speech user agent").

Webster's Third New International Dictionary (1976), for example, defines "automatic" in a first entry as "1 a : involuntary either wholly or to a major extent so that any activity of the will is largely negligible : of a reflex nature : without volition <the automatic blinking of the eyelids>," and in a second entry as "a machine or apparatus that operates automatically; *esp*: an automatic or autoloading firearm." Similarly, The American Heritage College Dictionary (3rd Ed., 1997) defines "automatic" as: "(1)(a) Acting or operating in a manner essentially independent of external influence or control." Moreover, Webster's II New College Dictionary (1999) defines "automatic" as: "(1)(a) Acting or operating in a manner essentially independent of external influence or control." In addition, Webster's II New Riverside Dictionary, Revised Edition (1996) defines "automatic" as: "(1) Operating or able to operate with little or no external control: self-operating or self-regulating."

The IBM Dictionary of Computing (10th Ed. 1994) defines "automatic" as: "pertaining to a process or device that, under specified conditions, functions without intervention by a human operator." Further, the IEEE Standard Dictionary of Electrical and Electronics Terms (3rd Ed. 1984) defines "automatic" as: "(3): (station control and data acquisition) pertaining to a process or device that, under specified conditions, functions without intervention by a human operator." Moreover, the McGraw Hill Dictionary of Scientific and Technical Terms (Fourth Edition 1989) defines "automatic" as: "[ENG] having a self-acting mechanism that performs a required act at a predetermined time or in response to certain conditions."

Furthermore, the Federal Circuit has previously construed the term "automatic"

similar to the above dictionary definitions. For example, using Webster's II New Riverside University Dictionary 140 (1988), the Federal Circuit defined the term "automatic" as "1.a. Acting or operating in a manner essentially independent of external influence or control. b. Self-regulating." *Space Systems/Loral, Inc., v. Lockheed Martin Corp.*, 243 F.3d 558, 2000 WL 1205154, *5 (Fed. Cir. 2000) (unpublished)[2]. In that case, the term "automatically" was recited in the claim body, and the Federal Circuit construed the claim based on the above dictionary definition of "automatic," stating, "we agree with Lockheed that **manual** initiation is antithetical to the concept of being **automatic**." *Id.* at *6 (emphasis added). Likewise, in the case of *CollegeNet, Inc. v. ApplyYourself, Inc.*, 418 F.3d 1225, 75 U.S.P.Q.2d (BNA) 1733 (Fed. Cir. 2005), the Federal Circuit upheld the district court's claim construction of the term "automatically," to mean "once initiated, the function is performed by a machine, without the need for **manually** performing the function." 418 F.3d at 1235, 75 U.S.P.Q.2d at 1741 (emphasis removed) (emphasis added). Concurrently, the Federal Circuit rejected the alleged infringer's proposed construction that "automatically" means a "process that occurs without human intervention, such that a human does not have the option to intercede and alter the flow of that process." *Id.* (emphasis removed).

Thus, the foregoing various dictionaries and Federal Circuit cases define the ordinary meaning of "automatic," such meaning being consistent with the use of "automatic" in the instant application. The term "automatic" must be given its ordinary meaning.

c. The Term "Automatic" Limits Each and Every Claim Feature

The term "automatic," as recited in the preambles of claims 21, 29, 37, 45, 53, and 61, requires each and every step and/or element to be carried out automatically for at least three reasons.

First, this position is supported by a recent Federal Circuit Decision, *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 74 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 2005), *vacated*, 126 S.Ct. 1837, 78 U.S.P.Q.2d 1577 (U.S. May 15, 2006) (No. 05-130) (vacating the preliminary injunction holding by the Federal Circuit but leaving undisturbed the claim construction of the Federal Circuit regarding the recitation of "automatic" in the claim).

2 Non-precedential opinion; cited only for its persuasive value in demonstrating the reasoning of the Federal Circuit in construing the term "automatic." The Court's decision is referenced in a "Table of Decisions Without Reported Opinions" appearing in the Federal Reporter.

In the *MercExchange* case, the Federal Circuit was required to construe the term "automated" which appeared in the preamble. Prior to the appeal proceeding, the district court construed the preamble phrase "automated method, performed by a computer-based auction system" as not requiring that all the steps following the preamble be performed by an automated process. 401 F.3d at 1338, 74 U.S.P.Q.2d at 1237. The Federal Circuit affirmed the district court's interpretation that the recitation of "automated" in the preamble did not require each step in the body of the claim to be performed automatically because several limitations in the body of the claim expressly required actions by participants and, thus, could not be "automatically performed via an automated process." *Id.* In addition, the Federal Circuit affirmed that this interpretation was consistent with the specification. *Id.*

For example, claim 1 in the *MercExchange* case contained a limitation in the body of the claim requiring that the computer system "receive bids on the item from participants," which requires that participants enter their bids manually and cannot occur automatically. *Id.* Likewise, one step of claim 12 required that a seller "establish a seller's account." *Id.* The Federal Circuit similarly reasoned that this step requires that a seller manually enter relevant information into the system. *Id.* By construing the claims in such a manner, the Federal Circuit, thus, reasoned that for the term "automated" to be imported from the preamble into the body of the claim, each and every limitation in the body must be performed automatically, and not manually.

In contrast to claims 1 and 12 in *MercExchange*, the instant claims do **not** recite any steps or contain any elements that require manual intervention by the taxpayer, or any other human user or participant. Therefore, following the Federal Circuit's reasoning in *MercExchange*, **each and every** one of the various steps and elements in at least claims 21, 29, 37, 45, 53, and 61 must be construed as being conducted automatically. Moreover, the instant specification supports the interpretation that each step or element in the claims is intended to be carried out automatically. *See, e.g.*, the instant specification, page 13, lines 15-17.

Second, the Final Office Action also asserts that the Appellant's specification and claimed invention lack specific details to preclude any sort of manual input. Page 6, lines 2-5. In support, the Examiner cites an excerpt starting at page 12, line 17 of the instant disclosure and points out that non-limiting examples of an electronic link used to connect electronically the electronic intermediary and the tax data providers include "a computer-

readable medium for transferring and receiving the tax data." Final Office Action, page 7, lines 10-11. The Examiner interprets this recitation by stating that "[t]his is merely a floppy disk or CD containing the tax data, which also raises the question of whether or not a human can intervene at all in the collection of tax data." Final Office Action, page 7, lines 11-13. The use of a computer-readable medium to transfer tax data, however, is not contrary to the ordinary meaning of the term "automatic." For example, if the electronic intermediary recited in the claims connects electronically to, and collects electronically tax data from, tax data providers via a computer-readable medium (e.g., a floppy disk), such tax data is nevertheless electronically and automatically transferred between the tax data providers and the electronic intermediary without the taxpayer, or any other human intermediary, being required to re-enter such tax data in order to be processed. The situation here is similar to the facts in the recent Federal Circuit case, *CollegeNet, Inc. v. ApplyYourself, Inc.*, 418 F.3d 1225, 1235, 75 U.S.P.Q.2d 1733, 1741-42 (Fed. Cir. 2005) (construing the term "automatically" and noting that use of the transitional phrase "comprising" suggests that additional unrecited elements, such as human initiation or interruption of the recited automatic steps, are not excluded). The *CollegeNet* case is based on the alleged infringement of two U.S. patents directed to an online service for reducing the amount of work required by applicants and institutions in, respectively, submitting and processing applications for admission. 418 F.3d at 1227, 75 U.S.P.Q.2d at 1735. The Federal Circuit affirmed the district court's construction of the term "automatically," to mean "once initiated, the function is performed by a machine, without the need for **manually** performing the function", and further explained that although each step of the method claimed in one of the patents was expressly recited as being performed automatically, "the use of 'comprising' suggests that additional unrecited elements are not excluded." 418 F.3d at 1235, 75 U.S.P.Q.2d at 1741 (emphasis removed) (emphasis added). For example, such additional unrecited elements "could include human actions to expressly initiate the automatic [steps] . . . or to interrupt such functions" *Id.* This construction was deemed not to "read 'automatically' out of the claims . . . because a machine still performs the claimed functions without manual operation, even though a human may initiate or interrupt the process." *Id.* Furthermore, in support of the foregoing construction, the Federal Circuit also endorsed the district court's automatic dishwasher and auto-pilot examples:

> [S]imply because a human has to load [an automatic dishwasher] and press the start button, and has the ability to turn it off mid-cycle, does not mean that the device does not

> 'automatically' wash the dishes. Similarly, 'an 'autopilot' which is turned on by a human and necessarily must be able to be interrupted by a human once the automatic process is engaged . . . remains an 'automatic' device.'

CollegeNet, 418 F.3d at 1235, 75 U.S.P.Q.2d at 1741-42 (alteration in original) (citations omitted). Thus, at least each of the recited steps is required to be performed automatically, even though a user may manually perform other non-recited steps.

Third, in further support of the Office's position that not all steps are required to be performed automatically, the Final Office Action states that "the instant invention is described as being implementing [sic] using existing software, such as TurboTax®" (Final Office Action, page 7, lines 13-15), and "use of off-the-shelf software (such as TurboTax®) . . . admittedly requires some form of manual input" (Final Office Action, page 8, lines 1-2). The Final Office Action, however, misstates, and overextends the import of, this recitation in the disclosure. Page 13, lines 19-21 of the instant disclosure state that "step 13 can be implemented using a computer program **similar** to the computer programs currently available in the market place, such as TurboTax" (emphasis added). This reference is made within the specific context of, and is implicitly limited to, the tax data processing step 13 which includes "performing the appropriate tax computations," including "addition, subtraction,..." etc. Importantly, the recitation that step 13 can be implemented by current technology is subsequently modified by the recitation that "the current technology requires that the tax data and other information relevant to the taxpayer be inputted manually," and that, "[w]ith the present invention, this information is obtained as described above in steps 11 and 12." Page 14, lines 1-4 of the instant disclosure.

Thus, in view of the Federal Circuit's reasoning in the *MercExchange* and *CollegeNet* cases, both the claims and the instant specification make clear that **every step** of the method as well as **every feature** of the product and apparatus, **as claimed**, are performed **automatically and electronically**.

d. The Term "Automatic" Must be Given Weight

The term "automatic" must be given weight. According to the M.P.E.P., "when evaluating the scope of a claim, every limitation in the claim must be considered. Office personnel may not dissect a claim into discrete elements and evaluate in isolation the discrete elements. Instead, the claim must be considered as a whole." M.P.E.P. § 2106(II)(C)

(citations omitted) (emphasis in original).

As noted above in the *Lockheed* case, the Federal Circuit gave the recitation of "automatically" weight by finding noninfringement based on the claim construction of "automatically." *Space Systems/Loral, Inc., v. Lockheed Martin Corp.*, 243 F.3d 558, 2000 WL 1205154, *6 (Fed. Cir. 2000) (unpublished) ("[W]e agree with Lockheed that **manual** initiation is antithetical to the concept of being **automatic**."). Likewise, in the *CollegeNet* case, the Federal Circuit gave the term "automatically" weight in construing the claims at issue. *CollegeNet, Inc. v. ApplyYourself, Inc.*, 418 F.3d 1225, 1234-36, 75 U.S.P.Q.2d 1733, 1741-42, (Fed. Cir. 2005). Furthermore, in the *MercExchange* case discussed above, the Federal Circuit would have given the term "automated" weight, even though it was recited in the preamble, had the claim limitations permitted as much. Following the reasoning of the Federal Circuit, if each limitation in the body of the claim is performed automatically, the recitation of "automated" is imported from the preamble into the body. *See* 401 F.3d at 1338, 74 U.S.P.Q.2d at 1237. Thus, following the Federal Circuit, and contrary to the position taken by the Office, the recitation of "automatic" in at least claim 21 must be given weight.

In sum, the Office cannot isolate the term "automatic" and, most certainly, cannot refuse to give the term "automatic" any patentable weight. The Office must give weight to the recitation of "automatic," both as to its ordinary meaning and its capacity to limit the claim scope.

e. Beamer Requires Manual Steps

Based on the foregoing definition of the term "automatic" and the following discussion of Beamer's tax preparation methodology using MacInTax, Beamer fails to teach "automatic tax data collection by an electronic intermediary," as recited in claims 21, 29, 37, 45, 53, and 61. Beamer teaches, for example, that the taxpayer must **manually collect** the data that was electronically obtained from the bank by: (a) **monthly manually updating** the Dollars & Sense financial report to balance the accounts (Beamer, ¶¶ 30-35, 37, 44); and (b) **year end manually "grooming"** the Dollars & Sense financial report by reviewing and editing each transaction one-by-one (Beamer, ¶¶ 36-37). *Cf.* MacInTax Made Easy, page 38. All of this **manual input** must be done by the taxpayer **prior to** the MacInTax software performing any tax computations for preparing a tax return.

Further, Beamer teaches that the taxpayer must **manually enter** the data onto the

electronic tax return and into the taxpayer's computer. Beamer, ¶¶ 8, 38; *cf.* MaxInTax Made Easy, pages 18, 97. For example, in order to input data into locations on the MacInTax electronic tax form, Beamer teaches that the taxpayer must **manually select** the data from the Dollars & Sense year-end financial report (which was converted into ASCII text by the MacInTax Converter) and **manually point** to where the data should be entered on the MacInTax electronic tax form. Beamer, ¶¶ 8, 38; *cf.* MacInTax Made Easy, pages 18, 97. All of this **manual input** must be done by the taxpayer **prior to** the MacInTax software performing any tax computations for preparing a tax return. Thus, Beamer fails to teach "automatic tax data collection by an electronic intermediary." Beamer requires manual intervention to carry out at least this step and, therefore, does not anticipate the claims. The citation to "It's W-2 Time" does not cure the deficiencies in Beamer.

Accordingly, it is respectfully submitted that Beamer does not anticipate at least independent claims 21, 29, 37, 45, 53, and 61, because it fails to teach or suggest "**automatic** tax data collection by an electronic intermediary," as recited in each of these claims.

3. Beamer Fails to Teach or Suggest "Collecting Electronically Tax Data from said Tax Data Provider"

Second, Beamer fails to teach or suggest **automatically** "collecting electronically tax data from said tax data provider." The Final Office Action aligns this recitation in each of claims 21, 29, 37, 45, 53, and 61 with the downloading of information from a bank to the MacInTax software program via the Dollars & Sense software program, where the "downloaded information is used to assist in completing one's tax return," as taught by Beamer. *See* Final Office Action, page 15, lines 4-7; page 8, lines 17-20. The recitation of "collecting electronically tax data from said tax data provider" corresponds, for example, to step 12 in FIG. 1. According to page 13, lines 13-17:

> Hence, ***with the electronic collection of tax data as in step 12***, the invention ***eliminates the current requirement*** that ***a taxpayer manually collect the tax data***, eliminates the current requirement that ***a taxpayer manually enter such tax data onto a tax return or into a computer***, and eliminates the need for all, or virtually all, intermediate hard copies of tax data, thereby saving paper, time, and cost. (emphasis added).

If the recitation of "collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data" were actually taught by Beamer, Beamer

would **not** require (1) that **a taxpayer manually collect the tax data** and (2) that **a taxpayer manually enter such tax data onto a tax return or into a computer**. Specifically, Beamer first teaches that the taxpayer must **manually collect** the data that was electronically obtained from the bank by: (a) **monthly manually updating** the Dollars & Sense financial report to balance the accounts (Beamer, ¶¶ 30-35, 37, 44); and (b) **year end manually "grooming"** the Dollars & Sense financial report by reviewing and editing each transaction one-by-one (Beamer, ¶ 36-37). *Cf.* MacInTax Made Easy, page 38. All of this **manual input** must be done by the taxpayer **prior to** the MacInTax software performing any tax computations for preparing a tax return. Hence, Beamer fails to teach that taxpayer specific tax data collected electronically is not collected manually.

Further, in direct contrast to the instant invention, Beamer also teaches that the taxpayer must **manually enter** the data onto the electronic tax return and into the taxpayer's computer. To move the data from the text file into the locations on the MacInTax electronic tax form, Beamer teaches that the taxpayer must **manually select** the data from the Dollars & Sense year-end financial report (which was converted into ASCII text by the MacInTax Converter) and **manually point** to where the data should be entered on the MacInTax electronic tax form. Beamer, ¶¶ 8, 38; *cf.* MaxInTax Made Easy, page 18, 97. All of this **manual input** must be done by the taxpayer **prior to** the MacInTax software performing any tax computations for preparing a tax return. In sum, Beamer teaches that tax data collected electronically is manually entered onto the electronic tax return and into the taxpayer's computer. Thus, Beamer fails to teach **automatically** "collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data," as required by at least the independent claims.

4. Beamer Fails to Teach or Suggest the Recited "Tax Data"

Third, Beamer fails to teach or suggest the recited "**tax data**." Claim 21, for example, recites "collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data; processing electronically said tax data collected electronically from said tax data provider to obtain processed tax data; preparing electronically an electronic tax return using said processed tax data."

In applying Beamer, the Final Office Action ostensibly aligns the recited tax data provider with a bank. *See, e.g.*, Final Office Action, page 15, lines 4-7, 9-12, and 20-22

(citing Beamer, ¶¶ 3, 4, 6, 15, 16, 23, 26). A bank customer obtains a bank record on a monthly basis. Beamer, ¶ 3, 26. The monthly bank record of Beamer indicates a salary deposit of the bank customer. Beamer, ¶ 3. The Final Office Action, thus, apparently equates the downloaded bank record, which indicates the salary entry for the customer, with the recited tax data. *See* Final Office Action, page 15, lines 4-7, 9-12, and 20-22 (citing Beamer, ¶¶ 3, 4, 6, 15, 16, 23, 26); page 8, line 17 – page 9, line 3. The Applicant respectfully traverses this rejection and submits that the downloading of bank record with the indicated salary deposit is **not** "collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data; processing electronically said tax data collected electronically from said tax data provider to obtain processed tax data; and preparing electronically an electronic tax return using said processed tax data," as required by at least claim 21.

Contrary to the assertion in the Final Office Action, the bank record and the salary deposit indicated by Beamer are **not** "tax data." As set forth above, Beamer teaches that the bank record indicates the salary of the bank customer. Beamer, ¶ 3. This salary entry in the bank record is the net pay of the customer. One of ordinary skill in the art of taxes would know that this salary entry, by itself, **neither** includes **nor** suggests the customer's gross income, the tax withholdings taken from the customer's gross income by the customer's employer, and other deductions, such as, for example, retirement deductions, transportation deductions, and parking deductions, all of which are used to determine a taxpayer's taxable income. Further, one of ordinary skill in the art of taxes would know that, given that the employer withheld money from the particular customer's income, the tax return including only the salary deposit indicated in the bank record of Beamer would be **incorrect** because that tax return would not include the individual's taxable income. Only through **manual input**, then, could the individual's taxable income be obtained. Hence, the downloaded bank record disclosed in Beamer, which indicates the salary deposit of the bank customer, is **not** tax data because, by itself, the salary entry in the bank record cannot be used to prepare the tax return of the individual. For this reason, banks provide their customers with IRS Form 1099 which indicates, for example, the amount of taxable interest income. Taxpayers are accordingly instructed to use the items in the IRS Form 1099 to determine their tax liability rather than using the information in their bank records.

As an example of such a bank account, the Applicant offers the bank record of the inventor David S. Miller (i.e., the 2004 Annual Statement Summary) and the Form 1099 from the same bank (i.e., the 2004 Tax Reporting Statement). *See* Attachment D (originally filed as Attachments A & B, respectively, in Amendment filed October 3, 2005). The 2004 Annual Statement Summary, for example, is a periodic (e.g., annual) bank record. On page 7 of this document, is a line item for "CMA NY Municipal Money" with a corresponding amount of $2,433.30. The 2004 Tax Reporting Statement, which is a tax bank statement (i.e., an IRS Form 1099), includes all of the amounts as reported on the 2004 Annual Statement Summary, except for the $2,433.30 because this amount represents the tax exempt NY municipal bond interest income, which does not appear on the IRS Form 1099 at all. Therefore, the 2004 Annual Statement Summary (i.e., periodic bank record) is **not** the same as the 2004 Tax Reporting Statement (i.e., tax bank statement). Using the Beamer system to generate a tax return based on the 2004 Annual Statement Summary would result in an **incorrect tax return** for the taxpayer. Thus, Beamer fails to teach or suggest "tax data" as recited in each of the independent claims.

At page 8, line 15 to page 9, line 7 of the Final Office Action, the Examiner attempts to respond to the Appellant's argument that Beamer's collected data is not the same as the "tax data" recited in the claims. The foregoing arguments are believed to properly traverse the Examiner's response. The Final Office Action additionally states that "[s]ince the collected tax data is not referred to as 'said tax data,' it is not necessarily required that the collected tax data be the type of tax data expressly recited as possessed by the tax data provider." Final Office Action, page 9, lines 5-7. The Appellant respectfully disagrees with this characterization of the claim language and asserts that the Examiner misunderstands the claim language. Non-limiting examples of "tax data" are specifically provided in the specification of instant application at, for example, page 13, lines 2-5. Furthermore, claim 21, for example, recites "connecting electronically said electronic intermediary to a ***tax data provider***" and "collecting electronically ***tax data*** from ***said tax data provider***." In the "collecting electronically" clause, the recitation of "tax data" is the first recitation thereof in the claim. The Examiner's suggested change to "said tax data" (*see* Final Office Action, page 9, lines 5-6) is unnecessary and would create an antecedent basis issue. Specifically, the recitation of "tax data" in the "connecting electronically..." clause is an inextricable part of the entity-identifying phrase "tax data provider" and would not serve to provide antecedent

basis for a later recitation of "tax data," which refers to the particular type of information being collected. Thus, this new argument in the Final Office Action is believed to be without merit.

For at least the three above-mentioned reasons (Sections VII(C)(2-4)), reversal of the rejection of claims 21, 29, 37, 45, 53, and 61 under 35 USC § 102(b) is respectfully requested. Claims 22, 24, 30, 32, 38, 40, 46, 48, 54, 56, 62 and 64 depend from at least one of the foregoing independent claims and are, therefore, allowable for at least the same reasons.

5. The Final Office Action is Unresponsive to the Majority of the Art Rejection Arguments Presented in Appellant's Previous Amendment

At pages 5-9 of the Final Office Action, the Examiner attempts to respond to Appellant's various arguments against the prior art presented in the Amendment filed October 3, 2005, specifically, that Beamer fails to anticipate the recited method, apparatus, and computer-readable medium for automatic tax data collection by an electronic intermediary. The Examiner conveniently consolidates all of Appellant's previous arguments by stating "Applicant argues that, since manual input and communication of data among multiple software modules are required in Beamer to ultimately file a tax return, Beamer does not disclose the electronic and automatic receipt of tax data and preparation of a tax return thereof (page 20-35 of Applicant's response)." Final Office Action, page 5, lines 11-14. In general, however, the Final Office Action fails to respond to almost all of Appellant's detailed arguments with regard to the prior art and the scope of the claims. *See* Amendment filed October 3, 2005, Sections V(B)-(D), pages 27-37.

For example, the Final Office Action ignores the teachings of the book "MacInTax Made Easy" by Scott Beamer (*see* Amendment filed October 3, 2005, Section V(A), pages 20-27) in continuing to rely on Beamer's article "A Marriage of Convenience," and the article "It's W-2 Time." The Beamer book is relevant to disabusing the Examiner of her assumptions regarding the teachings in the Beamer article and elucidates the **manual** aspects of Beamer.

As another example, the Final Office Action fails to respond to the argument that each and every step recited in the claims is performed automatically. *See* Amendment filed October 3, 2005, Sections VII(B)(1)-(5), pages 27-34. More specifically, the Final Office

Action fails to acknowledge ***any*** of the relevant case law cited in support of the Appellant's position regarding the recitation of "automatic" in the claims. *See* Amendment filed October 3, 2005, Sections V(B)(2)-(4), pages 29-33 (citing *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1338, 74 U.S.P.Q.2d (BNA) 1225, 1237 (Fed. Cir. 2005), *vacated*, 126 S.Ct. 1837, 78 U.S.P.Q.2d 1577 (U.S. May 15, 2006) (No. 05-130) (vacating the preliminary injunction holding by the Federal Circuit but leaving undisturbed the claim construction of the Federal Circuit regarding the recitation of "automatic" in the claim) and *Space Systems/Loral, Inc. v. Lockheed Martin Corp.*, 243 F.3d 558, 2000 WL 1205154, *5 (Fed. Cir. 2000) (unpublished)). Thus, in many respects, the Final Office Action is unresponsive to the majority of the art rejection arguments presented in Appellant's previous Amendment.

As a result, the primary reasoning presented in the Final Office Action, with regard to the prior art, seems to be that Beamer anticipates the "automatic" steps/features recited in the claims because Beamer teaches using MacInTax to download financial data from a third party, e.g., a bank, "to ***assist*** in completing one's tax return." *See* Final Office Action, page 15, lines 4-7; page 5, lines 15-18 (emphasis added). As discussed previously, however, Beamer teaches that **manual input** must be done by the taxpayer **prior to** the MacInTax software performing any tax computations for preparing a tax return, which is distinguishable from the automatic steps recited in the claims. *See* Section VII(C)(1)(a)-(b), *supra*; Amendment filed October 3, 2005, Sections V(A), pages 20-27.

Moreover, the Final Office Action continues to question the import and scope of automation within the claims while failing to directly address or even acknowledge Appellant's arguments on this point. At page 7, line 18 – page 8, line 2, for example, the Final Office Action states:

> By eliminating "the current requirement that a taxpayer manually enter such tax data onto a tax return or into a computer, and...the need for all, or virtually all, intermediate hard copies of tax data" (page 13, lines 14-17 of the specification), does this imply that the human does not even need to press a button requesting that tax data be downloaded? Or can the human indicate (e.g., via selection of a data source using a mouse) from where to collect data and then press "go" to initiate data transfer? What is the extent of "automatic"? This question is especially interesting in light of the use of off-the-shelf software (such as TurboTax®), which admittedly requires some form of manual input.

This excerpt essentially poses three questions, the respective answers to which, simply put, are (1) not necessarily, (2) yes he/she can, and (3) each positively recited step is performed automatically, wherein "automatic" is defined as set forth above in Sections VII(C)(2)(a)-(d). With regard to the first and second questions, the Appellant respectfully directs the Office's attention to the description of step 11 at page 9, line 13 – page 12, line 5, which describes how the taxpayer can **manually** provide the electronic intermediary with information on tax data providers (when the taxpayer has control over the electronic intermediary) or, alternatively, how the taxpayer can **manually** provide a tax return preparer institution with information on tax data providers for manual input into the electronic intermediary by the tax return preparer institution (when the tax return preparer institution has control over the electronic intermediary). This "manual" step is performed, for example, by the taxpayer, or by a tax return preparer institution at the direction of the taxpayer, to allow the electronic intermediary to automatically and electronically connect to, and automatically and electronically collect tax data from, relevant tax data providers. Importantly, step 11 is **not** recited in claims 21, 29, 37, 45, 53, and 61, which recite **automatic** steps and elements. *Accord MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1338, 74 U.S.P.Q.2d (BNA) 1225, 1237 (Fed. Cir. 2005); *CollegeNet, Inc. v. ApplyYourself, Inc.*, 418 F.3d 1225, 1235, 75 U.S.P.Q.2d 1733, 1741-42, (Fed. Cir. 2005) (construing the term "automatically" and noting that use of the transitional phrase "comprising" suggests that additional unrecited elements, such as human initiation or interruption of the recited automatic steps, are not excluded). *See also* Section VII(C)(2)(c), *supra*. With regard to the third question, the Appellant respectfully reiterates that both the claims and the instant specification make clear that **every step** of the method as well as **every feature** of the product and apparatus, **as claimed**, are performed **automatically and electronically**. *See* Sections VII(C)(2)(a)-(d) above.

With regard to the teachings in Beamer, the Final Office Action further states that "[u]se of software executed by a computer to perform tax computations for preparing a tax return is indicative of electronic and automatic performance of these computations," and that "the computer is an electronic device that automates such computations as opposed to performing the calculations completely manually by a human." Page 16, lines 1-5; page 8, lines 8-12. The Appellant respectfully acknowledges that although a computer can automate calculations involved in a data *processing* step, **Beamer's teaching of automation in one step does not imply automation in any of the other steps taught therein**. *See* Amendment

filed October 3, 2005, Section V(B), pages 27-34. Accordingly, Beamer does not anticipate at least independent claims 21, 29, 37, 45, 53, and 61, as amended, because it fails to teach or suggest "**automatic** tax data collection by an electronic intermediary," as recited in each of the independent claims.

D. The Rejection of Claims 23, 25-28, 31, 33-36, 39, 41-44, 47, 49-52, 55, 57-60, 63, and 65-68 Under 35 U.S.C. § 103(a)

The Final Office Action rejects claims 23, 25-28, 31, 33-36, 39, 41-44, 47, 49-52, 55, 57-60, 63, and 65-68 under 35 U.S.C. § 103(a) as being unpatentable over Beamer and It's W-2 Time, as applied to claims 21, 24, 29, 32, 37, 40, 45, 48, 53, 56, 61, and 64, in view of Official Notice taken by the Examiner. The Appellant respectfully traverses the rejections and hereby appeals the same.

35 U.S.C. § 103(a) states:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

The test for obviousness is what the combined teachings of the prior art would have suggested to one of ordinary skill in the art. *See, e.g., In re Keller*, 642 F.2d 413, 425, 208 U.S.P.Q. 871, 881 (C.C.P.A. 1981). In establishing a *prima facie* case of obviousness, it is incumbent upon the Examiner to provide a reason why one of ordinary skill in the art would have been led to modify a prior art reference or to combine reference teachings to arrive at the claimed invention. *See Ex parte Clapp*, 227 U.S.P.Q. 972, 973 (Bd. Pat. App. & Int. 1985). Additionally, all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981, 180 U.S.P.Q. 580 (C.C.P.A. 1974). "All words in a claim must be considered in judging the patentability of that claim against the prior art." *In re Wilson*, 424 F.2d 1382, 1385, 165 U.S.P.Q. 494, 496 (C.C.P.A. 1970). *See* MPEP §2143.03.

In this case, claims 23, 25-28, 31, 33-36, 39, 41-44, 47, 49-52, 55, 57-60, 63, and 65-68 are submitted as being allowable over Beamer, It's W-2 Time, and the Examiner's Official Notice for at least the following two reasons.

First, with regard to claims 23, 25, 31, 33, 39, 41, 47, 49, 55, 57, 63 and 65, the Applicant respectfully submits that Beamer fails to teach or suggest the recited **tax data** for at least the reasons mentioned above in Section VII(C)(4). Furthermore, "It's W-2 Time" and the Examiner's taking of Official Notice fail to cure this deficiency in Beamer. The Appellant respectfully traverses the rejection for at least the same reasons presented above in Section VII(C)(4), which section is hereby incorporated by reference in its entirety. In addition, the Appellant respectfully submits that the downloading of a bank record with the indicated salary deposit is **not** "tax data from said tax data provider, wherein said tax data is reported on an Internal Revenue Service ("IRS"), state, local, or foreign tax form," and that the automatic and electronic collection of such tax data would not have been obvious to one having ordinary skill in the art in view of Beamer and "It's W-2 Time." In any case, claims 23, 25, 31, 33, 39, 41, 47, 49, 55, 57, 63 and 65 depend variously from claims 21, 29, 37, 45, 53, and 61 and, thus, are submitted as being allowable for at least the same reasons provided above.

Second, with regard to claims 26, 34, 42, 50, 58 and 66, the Final Office Action acknowledges that "Beamer does not expressly teach that the bank account-related tax data is downloaded as data corresponding to an IRS Form 1099 *per se*." Final Office Action, page 20, lines 3-4. The Applicant agrees with this admission for the same reasons provided above regarding Beamer's failure to teach or suggest the recited tax data. *See* Section VII(C)(4) above; Attachment D. The Final Office Action further asserts, however, that "Beamer clearly lays the groundwork for electronically downloading tax-related data, such as bank statement data (i.e., data that is typically listed on an IRS Form 1099), and then using this data for automatically and electronically performing the calculations necessary to file an electronic tax return." Final Office Action, page 20, lines 10-14. The Applicant respectfully disagrees for at least two reasons.

First, as noted above, Beamer fails to teach or suggest the recited "tax data," i.e., tax data corresponding to at least one item of tax liability reported on at least one of an IRS form, a state form, a local form, and a foreign tax form, the IRS form being one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, an IRS Form 1099. The Office's Officially Noticed position that "the IRS Form 1099 summarizes information from a bank that a taxpayer needs to complete his/her tax return(s)," (Final Office Action, page 20, lines 6-7) and that "one version of the IRS Form 1099 includes data such as taxable interest

earned on a bank account, i.e., information typically found on a bank statement" (*Id.* at lines 7-9), while plausible, does not cure the deficiencies of Beamer. Beamer does **not** expressly teach that the downloaded bank record indicates interest and, even if such bank record did indicate interest, one of ordinary skill in the art would know that the position asserted by the Office is incorrect because not all "interest" paid by a bank is taxable. *See* Section VII(C)(4), *supra*. Beamer's "bank record" is just that – a bank record, and not "tax data." Therefore, even assuming, *arguendo*, that the asserted Officially Noticed information is true, the Final Office Action fails to establish a *prima facie* case of obviousness because it does not show how the Officially Noticed information cures the deficiencies of Beamer. That is, the Final Office Action merely sets forth two separate sets of purported teachings and then jumps to a conclusion of obviousness without explaining how or why Beamer's downloaded bank record, which indicates a salary entry for a bank customer, is, or becomes, "tax data" that corresponds to at least one item of tax liability reported on at least one of an IRS form, a state form, a local form, and a foreign tax form, the IRS form being one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, an IRS Form 1099.

Second, even assuming, *arguendo*, that the combination of Beamer, It's W-2 Time, and the Official Notice teaches the recited tax data, the combination fails to teach that such tax data is collected and processed **automatically**, as required in claims 21, 29, 37, 45, 53 and 61. *See* Section VII(C)(2) above. In any case, claims 26, 34, 42, 50, 58 and 66 indirectly depend from amended claims 21, 29, 37, 45, 53, and 61 and, thus, are submitted as being allowable for at least the same reasons provided above.

With regard to claims 27, 28, 35, 36, 43, 44, 51, 52, 59 and 60, these claims depend variously from claims 21, 29, 37, 45, 53, and 61, and are submitted as being allowable for at least the same reasons.

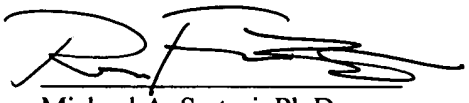
For at least the above-mentioned reasons, reversal of the rejection of claims 23, 25-28, 31, 33-36, 39, 41-44, 47, 49-52, 55, 57-60, 63, and 65-68 under 35 U.S.C. § 103(a) is respectfully requested.

VIII. CONCLUSION

In summary, the Appellant respectfully requests reversal of the Examiner's rejections of claims 21-68 under 35 U.S.C. § 112, first and second paragraphs. The Appellant further respectfully requests reversal of the Examiner's rejection of claims 21, 22, 24, 29, 30, 32, 37, 38, 40, 45, 46, 48, 53, 54, 56, 61, 62, and 64 under 35 U.S.C. § 102(b). Lastly, the Appellant respectfully requests reversal of the Examiner's rejections of claims 23, 25-28, 31, 33-36, 39, 41-44, 47, 49-52, 55, 57-60, 63, and 65-68 under 35 U.S.C. § 103(a).

Respectfully submitted,

Date: January 22, 2007



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IX. CLAIMS APPENDIX - 37 C.F.R. § 41.37(c)(1)(viii)

Claims 1-20. ***(Cancelled)***

21. ***(Previously Presented)*** A computer-readable medium embodying a computer program for automatic tax data collection by an electronic intermediary, said computer program comprising code segments for:

connecting electronically said electronic intermediary to a tax data provider;

collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data;

processing electronically said tax data collected electronically from said tax data provider to obtain processed tax data; and

preparing electronically an electronic tax return using said processed tax data.

22. ***(Previously Presented)*** A computer-readable medium as in claim 21, wherein said taxpayer specific tax data comprises taxpayer specific data related to tax liability.

23. ***(Previously Presented)*** A computer-readable medium as in claim 21, wherein said taxpayer specific tax data comprises at least one of taxpayer specific income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

24. ***(Previously Presented)*** A computer-readable medium as in claim 21, wherein said taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a

foreign tax form.

25. ***(Previously Presented)*** A computer-readable medium as in claim 24, wherein said at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

26. ***(Previously Presented)*** A computer-readable medium as in claim 24, wherein said IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099.

27. ***(Previously Presented)*** A computer-readable medium as in claim 21, wherein said taxpayer specific tax data is collected electronically via the Internet.

28. ***(Previously Presented)*** A computer-readable medium as in claim 21, wherein said taxpayer specific tax data is collected electronically via electronic mail.

29. ***(Previously Presented)*** A method for automatic tax data collection by an electronic intermediary comprising:

connecting electronically said electronic intermediary to a tax data provider;

collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data;

processing electronically said tax data collected electronically from said tax data provider to obtain processed tax data; and

preparing electronically an electronic tax return using said processed tax data.

30. ***(Previously Presented)*** A method as in claim 29, wherein said taxpayer specific tax data comprises taxpayer specific data related to tax liability.

31. ***(Previously Presented)*** A method as in claim 29, wherein said taxpayer specific tax data comprises at least one of taxpayer specific income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

32. ***(Previously Presented)*** A method as in claim 29, wherein said taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form.

33. ***(Previously Presented)*** A method as in claim 32, wherein said at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

34. ***(Previously Presented)*** A method as in claim 32, wherein said IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099.

35. ***(Previously Presented)*** A method as in claim 29, wherein said taxpayer specific tax data is collected electronically via the Internet.

36. ***(Previously Presented)*** A method as in claim 29, wherein said taxpayer specific tax data is collected electronically via electronic mail.

37. ***(Previously Presented)*** An apparatus for automatic tax data collection by an electronic intermediary comprising:

means for connecting electronically said electronic intermediary to a tax data provider;

means for collecting electronically tax data from said tax data provider, wherein said tax data is taxpayer specific tax data;

means for processing electronically said tax data collected electronically from said tax data provider to obtain processed tax data; and

means for preparing electronically an electronic tax return using said processed tax data.

38. ***(Previously Presented)*** An apparatus as in claim 37, wherein said taxpayer specific tax data comprises taxpayer specific data related to tax liability.

39. ***(Previously Presented)*** An apparatus as in claim 37, wherein said taxpayer specific tax data comprises at least one of taxpayer specific income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

40. ***(Previously Presented)*** An apparatus as in claim 37, wherein said taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form.

41. ***(Previously Presented)*** An apparatus as in claim 40, wherein said at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

42. ***(Previously Presented)*** An apparatus as in claim 40, wherein said IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099.

43. ***(Previously Presented)*** An apparatus as in claim 37, wherein said taxpayer specific tax data is collected electronically via the Internet.

44. ***(Previously Presented)*** An apparatus as in claim 37, wherein said taxpayer specific tax data is collected electronically via electronic mail.

45. ***(Previously Presented)*** A computer-readable medium embodying a computer program for automatic tax data collection by an electronic intermediary, said computer program comprising code segments for:

connecting electronically a tax data provider to said electronic intermediary; and

providing electronically tax data from said tax data provider to said electronic intermediary, wherein said tax data is taxpayer specific tax data;

wherein said electronic intermediary processes electronically said tax data collected electronically from said tax data provider to obtain processed tax data;

wherein said electronic intermediary prepares electronically an electronic tax return

using said processed tax data.

46. ***(Previously Presented)*** A computer-readable medium as in claim 45, wherein said taxpayer specific tax data comprises taxpayer specific data related to tax liability.

47. ***(Previously Presented)*** A computer-readable medium as in claim 45, wherein said taxpayer specific tax data comprises at least one of taxpayer specific income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

48. ***(Previously Presented)*** A computer-readable medium as in claim 45, wherein said taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form.

49. ***(Previously Presented)*** A computer-readable medium as in claim 48, wherein said at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

50. ***(Previously Presented)*** A computer-readable medium as in claim 48, wherein said IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099.

51. ***(Previously Presented)*** A computer-readable medium as in claim 45, wherein said taxpayer specific tax data is provided electronically via the Internet.

52. ***(Previously Presented)*** A computer-readable medium as in claim 45, wherein said taxpayer specific tax data is provided electronically via electronic mail.

53. ***(Previously Presented)*** A method for automatic tax data collection by an electronic intermediary comprising:

connecting electronically a tax data provider to said electronic intermediary; and

providing electronically tax data from said tax data provider to said electronic intermediary, wherein said tax data is taxpayer specific tax data;

wherein said electronic intermediary processes electronically said tax data collected electronically from said tax data provider to obtain processed tax data;

wherein said electronic intermediary prepares electronically an electronic tax return using said processed tax data.

54. ***(Previously Presented)*** A method as in claim 53, wherein said taxpayer specific tax data comprises taxpayer specific data related to tax liability.

55. ***(Previously Presented)*** A method as in claim 53, wherein said taxpayer specific tax data comprises at least one of taxpayer specific income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

56. ***(Previously Presented)*** A method as in claim 53, wherein said taxpayer specific

tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form.

57. ***(Previously Presented)*** A method as in claim 56, wherein said at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

58. ***(Previously Presented)*** A method as in claim 56, wherein said IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099.

59. ***(Previously Presented)*** A method as in claim 53, wherein said taxpayer specific tax data is provided electronically via the Internet.

60. ***(Previously Presented)*** A method as in claim 53, wherein said taxpayer specific tax data is provided electronically via electronic mail.

61. ***(Previously Presented)*** An apparatus for automatic tax data collection by an electronic intermediary comprising:

means for connecting electronically a tax data provider to said electronic intermediary; and

means for providing electronically tax data from said tax data provider to said electronic intermediary, wherein said tax data is taxpayer specific tax data;

wherein said electronic intermediary processes electronically said tax data collected

electronically from said tax data provider to obtain processed tax data;

wherein said electronic intermediary prepares electronically an electronic tax return using said processed tax data.

62. ***(Previously Presented)*** An apparatus as in claim 61, wherein said taxpayer specific tax data comprises taxpayer specific data related to tax liability.

63. ***(Previously Presented)*** An apparatus as in claim 61, wherein said taxpayer specific tax data comprises at least one of taxpayer specific income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

64. ***(Previously Presented)*** An apparatus as in claim 61, wherein said taxpayer specific tax data corresponds to at least one item of tax liability reported on at least one of an Internal Revenue Service ("IRS") form, a state form, a local form, and a foreign tax form.

65. ***(Previously Presented)*** An apparatus as in claim 64, wherein said at least one item of tax liability comprises at least one of income, gain, loss, deduction, wages, interest, dividends, capital gains, capital losses, residential mortgage interest, and taxes.

66. ***(Previously Presented)*** An apparatus as in claim 64, wherein said IRS form comprises one of an IRS Form 1040, an IRS Form 1040EZ, an IRS Form W-2, an IRS Form 1098, and an IRS Form 1099.

67. ***(Previously Presented)*** An apparatus as in claim 61, wherein said taxpayer specific tax data is provided electronically via the Internet.

68. ***(Previously Presented)*** An apparatus as in claim 61, wherein said taxpayer specific tax data is provided electronically via electronic mail.

X. EVIDENCE APPENDIX - 37 C.F.R. § 41.37(c)(1)(ix)

The following evidence has been entered in the record and is relied upon in the foregoing appeal brief. Pursuant to 37 C.F.R. § 41.37(c)(1)(ix), a copy of each piece of evidence is submitted herewith along with a statement setting forth where in the record that evidence was entered.

- **Attachment A** – Beamer, S. "A Marriage of Convenience." MacUser, v3, n3, p102, March, 1987.
 - Made of record in the Third Information Disclosure Statement filed September 30, 2004 (originally cited by the Office in the reexaminations of the parent and grandparent applications).

- **Attachment B** – Anonymous. "It's W-2 Time - - But This Year There's a Better Way to do Your Taxes." PR Newswire, February 9, 1987.
 - Made of record by the Examiner in the Office Action dated April 1, 2005.

- **Attachment C** – Beamer, S. MacInTax Made Easy. Osborne McGraw Hill, 1993, pp. 18, 38, 91-92, 94-97, and 108.
 - Full copy of document (364 pages) made of record in the Fourth Information Disclosure Statement filed August 4, 2005.

- **Attachment D** – 2004 Annual Statement Summary and 2004 Tax Reporting Statement (Form 1099) of the Inventor, Mr. David S. Miller.
 - Cited in Appellant's Amendment filed October 3, 2005 and submitted therewith as Attachments A & B, respectively.

XI. RELATED PROCEEDINGS APPENDIX - 37 C.F.R. § 41.37(c)(1)(x)

NONE

XII. TABLE OF CASES

Bell Communications Research, Inc. v. Vitalink Communications Corp., 55 F.3d 615, 34 U.S.P.Q.2d (BNA) 1816 (Fed. Cir. 1995)

Catalina Mktg. Int'l v. Coolsavings.com, Inc., 289 F.3d 801, 62 U.S.P.Q.2d (BNA) 1781 (Fed. Cir. 2002).

Ex parte Clapp, 227 U.S.P.Q. 972 (Bd. Pat. App. & Int. 1985).

CollegeNet, Inc. v. ApplyYourself, Inc., 418 F.3d 1225, 75 U.S.P.Q.2d (BNA) 1733 (Fed. Cir. 2005) – copy submitted herewith pursuant to 37 C.F.R. § 41.12(b) as **Attachment E**.

Corning Glass Works v. Sumitomo Elec. U.S.A., Inc., 868 F.2d 1251, 9 U.S.P.Q.2d (BNA) 1962 (Fed. Cir. 1989).

Desper Products, Inc. v. QSound Labs, Inc., 157 F.3d 1325, 48 U.S.P.Q.2d (BNA) 1088 (Fed. Cir. 1998).

Fonar Corp. v. General Electric Co., 107 F.3d 1543, 41 U.S.P.Q.2d 1801 (Fed. Cir. 1997).

In re Hayes Microcomputer Prods., Inc., 982 F.2d 1527, 25 U.S.P.Q.2d 1241 (Fed. Cir. 1992).

In re Keller, 642 F.2d 413, 208 U.S.P.Q. 871 (C.C.P.A. 1981).

MercExchange, LLC v. eBay, Inc., 401 F.3d 1323, 74 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 2005) – cited in Appellant's Amendment filed October 3, 2005.
Copy submitted herewith as **Attachment F**.

Moba, B.V. v. Diamond Automation, Inc., 325 F.3d 1306, 66 U.S.P.Q.2d 1429 (Fed. Cir. 2003).

Omega Engineering, Inc. v. Raytek Corp, 334 F.3d 1314, 67 U.S.P.Q.2d (BNA) 1321 (Fed. Cir. 2003).

Phillips v. AWH Corp., 415 F.3d 1303, 75 U.S.P.Q.2d 1321 (Fed. Cir. 2005).

Pitney Bowes, Inc. v. Hewlett-Packard Co., 182 F.3d 1298, 51 U.S.P.Q.2d (BNA) 1161 (Fed. Cir. 1999).

Regents of the Univ. of Cal. v. Eli Lilly & Co., 119 F.3d 1559, 43 U.S.P.Q.2d 1398 (Fed. Cir. 1997).

Richardson v. Suzuki Motor Co., 868 F.2d 1226, 9 U.S.P.Q.2d 1913 (Fed. Cir. 1989).

Robotic Vision Sys. v. View Eng'g, Inc., 112 F.3d 1163, 42 U.S.P.Q.2d 1619 (Fed. Cir. 1997).

In re Royka, 490 F.2d 981, 180 U.S.P.Q. 580 (C.C.P.A. 1974).

Space Systems/Loral, Inc., v. Lockheed Martin Corp., 243 F.3d 558, 2000 WL 1205154 (Fed. Cir. 2000) (unpublished) – cited in Appellant's Amendment filed October 3, 2005. Copy submitted herewith as **Attachment G**.

In re Thrift, 298 F.3d 1357, 63 U.S.P.Q.2d (BNA) 2002 (Fed. Cir. 2002).

Vas-Cath, Inc. v. Mahurkar, 935 F.2d 1555, 19 U.S.P.Q.2d 1111 (Fed. Cir. 1991).

Verdegaal Bros. v. Union Oil Co. of California, 814 F.2d 628, 2 U.S.P.Q.2d 1051 (Fed. Cir. 1987).

Vitronics Corp. v. Conceptronic, 90 F.3d 1576, 39 U.S.P.Q.2d (BNA) 1573 (Fed. Cir. 1996).

In re Wilson, 424 F.2d 1382, 165 U.S.P.Q. 494 (C.C.P.A. 1970).

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JAN 22 2007
PATENT & TRADEMARK OFFICE

ATTACHMENT A

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

DIALOG(R)File 275:Gale Group Computer DB(TM)
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01205765 SUPPLIER NUMBER: 04991167 (THIS IS THE FULL TEXT)

A marriage of convenience. (MacInTax, MacMoney, and Dollars & Sense for tax preparation and planning) (evaluation)

Beamer, Scott

MacUser, v3, n3, p102(4)
March, 1987
DOCUMENT TYPE: evaluation ISSN: 0884-0997 LANGUAGE: ENGLISH
RECORD TYPE: FULLTEXT; ABSTRACT
WORD COUNT: 3112 LINE COUNT: 00229

ABSTRACT: MacInTax from SoftView can be used along with Dollars & Sense from Monogram or MacMoney from Survivor Software to provide Apple Macintosh users with an electronic link to the IRS. MacInTax is a popular tax preparation package that works along with home accounting programs such as Dollars & Sense and MacMoney to provide electronic income tax filing for users who keep their books on their Macintoshes. Each of the three programs is described, and the process of setting up and using a home accounting package with MacInTax is discussed. Tips are given on ways to facilitate personal tax planning and preparation on the Macintosh.

TEXT:

Join MacinTax to either MacMoney or Dollars & Sense and make short work of your taxes even on the long form.

One day in the not-too-distant future Jan and Jim Smithwick will have their employers transmit their salaries electronically directly into their personal bank accounts. They will be able to download their bank records into their personal financial software. That program can lien pass the information to a tax preparation program.

Jan and Jim will then send the electronic version of their tax return to their accountant via modem and the accountant can electronically file the tax return with the I.R.S. All of this will be accomplished without the Smithwick's having to re-enter any data, without the use of a pocket calculator, and without the necessity of any paper.

Does this sound too pie in the sky? A few Mac users will probably use exactly this electronic path to file their 1987 taxes (still a year away). But even now, thousands of Mac users use a portion of this path in handling their personal finances. All of these options are available now to a certain extent, and most of us will gradually increase the number of electronic links that we use in our daily lives.

GETTING TOGETHER

Perhaps the most valuable electronic link this tax season will be between a home accounting program and a tax preparation program. If you used your. Mac to keep track of finances last year (and you should have), you may be able to transfer much of your personal information directly onto your tax forms in MacInTax, using an interface MacInTax expects to include in this year's package. The option will certainly be available for 1987 tax preparation.

SoftView, the company that publishes MacInTax, has for some time expressed an interest in providing this type of link for their customers - with mixed success until recently. Then Survivor Software's MacMoney became the first personal financial management program on the Mac to save report files as ASCII text. Before this, it seemed that the home accounting software companies felt they could compel customer loyalty by making it necessary to rekey all your data files if you wanted to switch to a competitor's program. Fortunately, that kind of thinking seems to be going the way of copy protection and the 128K Mac.

Survivor Software contacted SoftView about the feasibility of an electronic link between their programs. And now, as a result, MacInTax (for 1986) already includes an interface that will allow it to open ASCII text files as a separate window from within MacInTax. You can select data in the window, then point to where you want the data entered in the tax forms, permitting the quick transfer of information from MacMoney to MacInTax.

SoftView contacted many other companies with financial management software for the Mac, and some of them also will be able to use this new link. Most notable among them is Dollar & Sense. Although Dollar & Sense files can't be saved as ASCII text, they can be used after being run

through a special converter that will be included with the MacInTax disk.

Next year, several companies expect to have new versions of their
10 products that will invisibly tag files. In this way data from the year end report can be transferred automatically to MacInTax

TAX PREPARATION

MacInTax is the tax preparation program of choice. It works extremely well and customer satisfaction is very high. The only significant customer
11 complaint is that SoftView has been very late issuing the updated versions of their program the past 2 years. SoftView is aware of this problem and has made it a priority not to let it happen this year.

By now, the new version of the product should be out with a variety of ways to relieve you of the drudgery of keying in data. If you used MacInTax to prepare last year's taxes, the program will update your
12 previous forms so they can be read by this year's application. It will also automatically fill out as much information as possible on this year's forms from the previous year's, such as name, social security number, number of dependents, capital loss carry over, income averaging information and depreciation.

If you kept track of your personal finances in 1986 with a home accounting program, MacInTax's new interface may further reduce the need to key in data by hand. You will have to select the previous year's data and
13 identify where you want it to go in this year's form, but that should be significantly less work than manual data entry. Whole lists of items and numbers can be transferred at once using one of MacInTax's itemization windows.

Itemization windows are one of the best features in MacInTax. Most lines on the tax forms can be itemized in windows. The results can be
14 printed out and filed with your return. The itemizations can be several layers deep. Itemization windows also offer a useful place to leave notes to remind you of why you did something in a particular manner.

Sometime during the summer of 1987, SoftView plans to release a professional version of MacInTax. There will be a dual data entry mode, allowing the preparer to choose between the MacInTax type screen or an
15 accountant's worksheet. This will let the preparer consider alternate tax strategies simultaneously. The client data base will be cross linked, allowing the extraction of information across files.

The reason this package is of interest to ordinary taxpayers is that its existence will increase the likelihood that your accountant will be able to file your tax return for 1987 electronically. Right now, the I.R.S.
16 has this system available only in certain pilot cities. The list of cities is growing, but only professional preparers are allowed to file returns in this way. If the option does become available for your area, it should speed up the refund process on 1987 returns.

To take best advantage of this forthcoming revolution, you'd need to
17 have kept your books on your Mac. Let's briefly examine two of the best programs for that purpose.

MACMONEY

MacMoney is an excellent home accounting program. It has a till list of features with fast, easy and intuitive data entry and advanced data
18 manipulation capabilities. Its report generating ability is easily the strongest available. MacMoney is also among the least expensive personal finance programs.

Macmoney has a few drawbacks, including its size: it is so large that it is slow to open and MacMoney files take up a lot of disk space. Its
19 report generating menu is so complex that it will take several tries to Team to print out a decent report. Fortunately you can save a customized report as a template.

The manual for MacMoney is very good and has an excellent description
20 of how to organize your account categories to facilitate filling out your income taxes. This works well whether you prepare your taxes by hand or with tax preparation software.

There is an extra ID code attached to every transaction that can be used to tag an item for a specific page of the tax return. The tag can be
21 added as you enter data or later - even at tax time - or both. This wit allow you to have a list of all the information for a specific page of a tax return on hand and already organized while filling out the actual forms.

22 DOLLARS & SENSE

Dollars & Sense is the best selling personal finance management

program for every type of microcomputer, One of its best features is its ability to link with other Monogram products, though these products cannot
23 yet share files among different types of computers. Monogram's product line includes Forecast, a tax planner; Moneyline, allowing a computer link between Dollar & Sense files and your bank's electronic files; and Business Sense a professional accounting package.

Forecast is a standalone planning tool that can be used to assist you in tax preparation. It will not fill out your tax forms. As a tax planning
24 aid, it will allow you to look at up to five scenarios simultaneously. You can also look at your financial picture up to 5 years in the future.

Forecast will allow you to select items from a Dollars & Sense data base to fill in amounts on your Forecast version of your tax forms. It at some point in the year you wish to see what your projected taxes will be,
25 Forecast can look at less than a full year's Dollar & Sense data and automatically extend the current figures to the expected ill year amounts. The new version containing the 1987 and 1988 tax code revisions should be available by the time you read this.

Moneyline allows you to communicate directly with your bank's computer system. Many transactions can be directly fed by the bank's
26 computer into Dollar & Sense accounts. This reduces the drudgery of retyping data, increases accuracy and gives convenient access to bank information at any time, not just when the statement arrives.

This is a powerful example of how easily information can be transferred between dissimilar computers, let alone dissimilar programs.
27 The service is currently available only through Citibank, on the east coast. It is expected that it will become available through Bank of America on the west coast around mid - year.

Business Sense is a professional accounting package. If you decide at some point that it is time to move up from a personal accounting package to
28 a professional program, you can take data directly from Dollars & Sense to Business Sense. Or you can use Dollar & Sense at home for personal financial management and Business Sense at the office, and move data back and forth as appropriate.

Monogram expects to have version 2.0 of Dollars & Sense, a major rewrite, done sometime this year. It should remedy some of the program's
29 drawbacks and add new features. Relevant here is that version 2.0 will have the accounts data base tagged to allow automatic file transfer to MacInTax.

HOW TO GET STARTED

If this article has been at all interesting to you, start using a home accounting program now - don't wait for newer software to come out.
30 Now is the time, to begin entering personal financial data on a regular basis and you can always upgrade when new versions are released.

The biggest problem the novice faces in getting started is how to organize account categories. Don't worry about it. Use the plain vanilla list of categories from the manual (Dollars & Sense has a set of accounts built in.) If you want to be, more organized before you start, look at a
31 few months of canceled checks and credit card receipts. You can add to the list as you go along, but once you have created a category you can't remove it, even if you remove all the entries in it. You can only remove it when you begin a new year, and then only if it is empty.

The first few times you use a home accounting program, keep a notepad nearby. When you don't know which category to put something in, put it in "Misc." and make a note of where you think it might fit. That way, at the
32 end of the session, you can see if your statement balances, then close the files and add new categories if needed. It is easy to edit your data later and move it into a new category.

Remember above all, BACK UP YOUR FILES! I actually use a three-disk backup system ever since a bad experience in which I lost 5 months data. I always work on my master data disk and alternate backing up from one disk
33 to another. Once my files were damaged but they hung up only in certain situations. I didn't learn of the problem until after I had made a backup. The backup was a perfect replica of the master: they both hung in the same way.

It helps to have a couple of months of entries up on the screen when you are entering transactions. This way, you can look back and see how you
34 entered something like an ATM transaction the last time. Being consistent with data entry "is extremely important. You won't be able to sort your files accurately if you aren't consistent.

Little errors pop up frequently. If an error is major, say for

instance you entered a deposit as a withdrawal or vice versa, the account won't balance and you'll know about it right away. Whenever your accounts don't balance, be careful not to save the unbalanced version over last month's balanced version. Save it to a new disk and mark it as the
35 unbalanced one. By going back ober it again at a later session you can often find the error and avoid having to reenter the data. If you absolutely can't make the thing balance, you can at least use your backup to start over from the previous month when the thing did balance. Then you will only have to re-enter 1 month's data to get things right.

Grooming your files at the end of the year is a must. If your accounts balance at the end of the year, you are in pretty good shape but
36 transactions can still be in the wrong categories. At tax time it is necessary to review all transactions one by one, making sure that each is in the correct category and correctly marked as taxable or nontaxable. It is best to empty out the. "Misc." and "Cash" accounts as much as possible.

Hopefully, before tax time rolls around you will have been practicing with report templates all year. This is the most difficult part of using
37 these programs, especially with MacMoney, because there are so many variables to deal with. You must make a year end report that will correctly summarize the tax data from your files. If you have been using the suggested tax accounts from the program, this shouldn't be too hard.

When it is time to prepare your taxes, open MacInTax and have it fill in the information from last year's forms automatically. Then open the
38 interface window with the text file of your year end financial report. Move the data from the text file into the correct locations on the tax forms and your returns should be pretty well filled out.

A word of warning when you prepare your taxes with your Mac: don't take the machine's word for it - the I.R.S. won't. Your most valuable tool at this point is last year's tax return. If the I.R.S. hasn't complained
39 about last year's taxes then you probably want this year's to look as much like last year's as possible. Every line with data on it in last year's form should have an entry this year, and vice versa, or you'd better know why it doesn't.

Before printing out a final version, take a few extra moments and have your accountant go over the forms with you. Go over any major changes from last year to this, and any significant changes in your fiscal life.
40 This is also a good time to review the categories you use to keep records in your home accounting program.

It is much easier to print out the entire form than trying to line up an actual I.R.S." form in the printer. If you do use the latter technique,
41 make sure you have plenty of extra forms on hand, and be very careful that the entries are going on the correct line. It is easy to overlook a mistake when there are only a couple of entries on a form.

Forms printed on a LaserWriter look terrific. If you don't have
42 access to a LaserWriter, try to rent time on one at a local copy center or ask the help line of the local user group.

START NOW

At this time of year, most of us have negative emotions about our personal finances and tax returns. Even during the rest of the year the
43 subject seems about as interesting as flea powder. These negative emotions are caused to a large degree by our feelings of powerlessness, even guilt, that we haven't done much of anything to bring our financial situation under control.

By beginning to use one of these programs now we can do a great deal
44 to improve our lives, both emotionally and financially. If you balance your accounts even once a month, in a few months a sense of order will begin to replace the disarray. As your records become organized, there is a sense that intelligent decisions can be made because you are now well-informed.

Who knows? You might actually begin to approach your financial record
45 keeping with enthusiasm. When it comes to MacInTax, I have occasionally heard the word "fin" used.

SCOTT BEAMER WORKS OUT OF AN OFFICE AT HOME, MANAGING HIS INVESTMENT PORTFOLIO.

46
MACINTAX
Overall Rating *****
Follows Mac Interface *****
Printed Documentation ***
On-Screen Help *****
Performance *****

46 (cont.)

Support *****
Consumer Value *****
Comments: Updates at reduced rates ($45/year). California state returns also available ($45/$25 update).
Best Feature: Realism and completeness of forms on screen.
Worst Feature: Releasing product late.
List Price: $99. Will work on 128K Mac with one disk drive. Published by SoftView, Inc., 4820 Adohr Lane, Suite F, Camarillo, CA 93010. 1 -800-MACNTAX, in CA call 1 -800-MACVIEW. Not copy protected.

MACMONEY Overall Rating ***** List Price: $74.95. Requires 512K+.
Published by Survivor Software Ltd. , 11222 La Cienega Blvd., Inglewood, CA 90304. (213) 410-9527. Not copy protected.

DOLLARS & SENSE
Overall Rating ***
List Price: $149.95. Will work on 128K. Published by Monogram, 8295 South La Cienega Blvd, Inglewood, CA 90301. (213) 215-0529. Not copy protected.

CAPTIONS: Features and ratings of the three tax-preparation programs are listed. (table)

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ATTACHMENT B

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

3/9/9 (Item 1 from file: 621)
DIALOG(R)File 621:Gale Group New Prod.Annou.(R)
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01032902 Supplier Number: 39964031 (THIS IS THE FULLTEXT)

IT'S W-2 TIME -- BUT THIS YEAR THERE'S A BETTER WAY TO DO YOUR TAXES

PR Newswire, pN/A
Feb 9, 1987
Language: English Record Type: Fulltext
Document Type: Newswire; Trade
Word Count: 677

TEXT:

The Halsted Organization
3519 W. Sixth St.
Los Angeles, CA 90020

Contact: John Lockhart or Wendy P. Basil
213-386-8356

IT'S W-2 TIME -- BUT THIS YEAR THERE'S A BETTER WAY TO DO YOUR TAXES

1 LOS ANGELES -- (Feb. 9, 1987) -- The tax season has been officially launched with the delivery of W-2 forms -- and this year, people are especially anxious as they prepare for the full impact of tax reform.

2 But a Big 8 accountant isn't the only answer -- a new computer tax preparation program costing thousands of dollars less than similar programs used by the Big 8 firms recently became available to consumers. Industry watchers say the program, called **MacInTax** (at under $100), is in some ways better than the costly computer proqrams used by tax professionals.

3 "For the first time, it is possible to do virtually everything on your computer. All the major forms, plus all the IRS rules and instructions, and the **calculations** are done in the computer... no more running around to gather the forms from the Post Office and other places. It's all in there," says Susan Morgan, president of Softview, the Camarillo, Calif.-based company that developed **MacInTax** .

4 "We allow people to sit down in front of their computers with their shoe boxes full of receipts, their bank.statements and W..2's, and do their taxes in a fraction of the time it used to take," says Ms. Morgan. "In fact, we seemed to have spawned a cottage industry of people preparing taxes with **MacInTax** , because it's that simple to use. Accountants and other tax preparers tell us they can do two to three times as many tax returns during the tax season as they were able to before **MacInTax** ."

5 The $99 program is the first of its kind to run effectively on a personal computer. Currently only for MacIntosh computers, **MacInTax** will soon be released in a version for IBM compatible computers.

6 "I used the 1985 program to prepare my personal taxes and found it to be very efficient and +asy to use," said Larry Scherzer, a partner at Arthur Young & Co.

7 What makes **MacInTax** different from other tax preparation programs?

8 1) Exact versions of all major IRS-approved tax forms and worksheets are displayed on-screen.

9 2) Once finished, the actual IRS tax forms seen on-screen can be printed out on laser or dot matrix printers. This is the first home program which meets this criteria.

10 3) All line item instructions -- everything in the IRS instruction book -- can be called up instantly, and the user is informed by the

program when any IRS rule has been violated.

11 4) The program makes all tax calculations , including all carry-overs from worksheets and other accounting programs.

12 5) The program automatically checks for procedural errors or logical inconsistancies, and helps users to prevent making mistakes.

13 6) All information is stored in the computer and can be printed out at any time -- just in case the IRS decides to conduct an audit.

14 Software and tax experts have been raving about **MacInTax** since the first program was released just last year. It has won several industry awards, including the presitigous "Eddy" Editor's Choice Award from MacUser magazine as the "Best Personal Tax Program for 1986."

15 " **MacInTax** was born out of our frustration in trying to do our own taxes on inadequate computer programs... we just couldn't fin a good program for our MacIntosh... so we invented one, and when our friends liked it as much as we did, we decided to start a company and market it," Ms. Morgan said.

16 The **MacInTax** software program can be purchased at most software outlets, or it can be ordered directly for fast delivery before the busy tax season by calling a national toll-free number: 800/ MACNTAX (800/ 622-6829).

17 For more information in a complete press packet, please return the enclosed postcard or call John Lockhart or Wendy Basil at THE HALSTED ORGANIZATION at 213/ 386-8356.

Video footage of the **MacInTax** program in action, including interviews with Ms. Morgan and users of the program, is available through THE HALSTED ORGANIZATION at 213/ 386-8356.

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ATTACHMENT C

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

return will be very similar. If there have been changes in your life, you may need to study a bit more on the subject. Otherwise, just use last year's return as a model for what forms you will need. Also, don't forget to read the first subject under the Help menu in MacInTax, What's New This Year?

If you still have problems deciding which forms to use in which order, you are a likely candidate for EasyStep. You will not be required to do much research, just answer simple questions and enter information you probably have on hand. You can find help in Chapter 10 of this book as well. For those who want to look at more forms in more detail, Chapter 11, which covers the forms line by line, will be a better choice.

Using Converter or Import

Those who have used MacInTax before can begin by converting last year's form set into this year's. MacInTax will open the same set of forms for you and enter the personal information from last year, as well as certain financial data, such as capital loss carry-over, partnership information, and depreciation.

If you'd like to use the Converter to get a head start on filling in your return, but doubt your ability to pull it off, EasyStep will lead you through it. You can then shift back to working directly on the forms.

Some veteran users may also have prepared their personal financial management data for import into MacInTax. Now is the time to do it, if it seems worth it to you. The problem is that if your data file is in ASCII text, MacInTax will import it, but you must cut and paste each number to its appropriate line in MacInTax. The amount of manual effort this entails largely negates the advantage of importing.

If you used Quicken to track your personal finances, it can export a special file (STD) that can fill in your forms in MacInTax. In this case, you must link each Quicken tax category with an item in the MacInTax item list. This is not as bad as a text import, but still not as good as you might hope for. The advantage is that next year you can use the same script with little modification.

photocopy it so you can make notes on it without marking up your archival copy.

Personal Records

Now it's time to organize your personal records. Hopefully, you have been using an electronic checkbook all year. Otherwise, you will have to put in some hard hours collecting, categorizing, and sorting your paper records.

Income



Most of those who pay you income send you a report at the end of the year: a W-2, a 1099, a K-1, or a variation of these. They also send a copy of the report to the government, including amounts withheld. All this is in the IRS computers when they receive your return. If you fail to report income that others have reported, or if you report a different amount of income, you will hear from the IRS in short order, requesting an explanation.



That is why it is very important to keep all such financial records and to enter them in your personal tax return. It is also in your best interest to keep records for all checks you receive from employers, so that you can verify the totals on their year-end reports and match them with the amounts you actually received.

Some people keep these records in a shoe box, others in an accordion file with a separate compartment for each month or category. The choice is yours. However, the best advice to Macintosh owners is also to enter such records into a personal financial management package. This will give you accurate, well organized records that you can use to produce a summary report for taxes at the year end, or any time during the year, for that matter.

Expenses

The IRS concentrates on seeing that those who paid you income report it to them and to you, so that they can be sure you pay taxes on all income you received. They are not nearly so finicky about expenses. These are what you use to reduce the income you must pay taxes on.

3. A list of possible conversions will then appear. Read them carefully and choose the one you need. Double click on your choice or select it and choose OK.
4. A Save dialog box will appear, asking you to indicate where to save the new return and what to name it. MacInTax will suggest Converted File as a default name. The conversion takes a while. Plan on having a cup of coffee while you wait.
5. MacInTax will then create the new return, containing as much information from the old return as it considers prudent. You can then open the new return using the Open Tax Return... choice in the File menu.



CAUTION: To convert last year's return to this year's, whether you are using EasyStep or the Classic Approach, you only need last year's data file. You may want to move a copy of it to this year's MacInTax folder before starting the conversion. MacInTax is less likely to have problems with the conversion this way.

Importing

Anyone who tracks their personal or business finances on their Mac

Last year's ⇒ to this year's ⇓	1040	1040A	1040EZ	'91 1040 w/'92 data	'91 1040A w/'92 data	Tax Planner
1040	YES			YES		YES
1040A		YES			YES	
1040EZ			YES			

'92 to '92	1040	1040A	1040EZ	Quicken	Tax Planner
1040	YES	YES	YES	YES	YES
1040A			YES		
1040EZ					

Table of conversions
Figure 8-1.

and uses MacInTax must dream of the day when they can fill out their tax return at the click of a button. A few are able to approach such simplicity now, but for most of us, it's a dream only partly fulfilled.

MacInTax can import two kinds of files (ASCII text and STD), and now has Publish and Subscribe fully operational for System 7 users. The question is whether it is more work to import the data or to just type it in, copying from a printed year-end report. Most still find that the easiest approach is to print out a year-end report in their personal financial management software and type the relevant information into MacInTax. Whatever method of data transfer you decide to use, remember that it is essential for you to verify the accuracy of your personal financial data files.

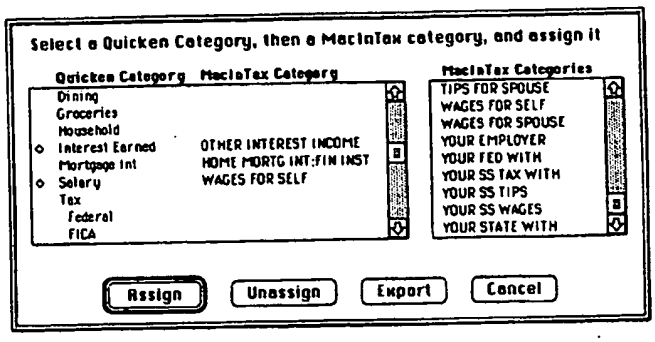
If you have kept your records meticulously throughout the year, making sure your bank statements, credit card statements, and personal financial records agree every month, you may not need to spend much time reviewing records at the end of the year. If you allowed some fudging in your records, realize that if you don't sort out these inaccuracies now, they will migrate to your tax return.

You must also be certain that the categories you divided your transaction records into are appropriate for tax purposes. For instance, your mortgage payments need to be divided into principal and interest for each payment (only the interest portion can be deducted on Schedule A). Similarly, the amount of your paycheck should be split among withholding categories, in addition to the actual amount of deposit.

Importing a Quicken File

Those who use Quicken certainly have the option of printing out a tax summary report, then re-keying that information into MacInTax. However, Intuit has for years built a more elegant solution into Quicken. Your year-end report can be exported as an STD (Standard Tax Data) file. MacInTax can import an STD file and enter the information automatically in all the appropriate parts of your return.

The negative side is that you must do considerable preparation for this to happen. First of all, you need to make a list of categories in Quicken



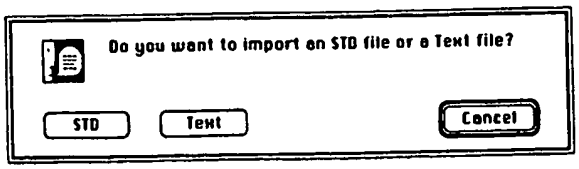
Pairing Quicken categories with those in MacInTax
Figure 8-3.



CAUTION: If you are married and filing a joint return, be very careful to see that your spouse's information was imported and is properly labeled. The STD Converter does not mark items for self and spouse.

Next Year Should Be a Breeze

You may have noticed that all the effort involved in importing data from Quicken to MacInTax negates much of the advantage of using Import. While that's true, next year, and in the years to come, your efforts will pay big dividends. Quicken will remember how you assigned your Quicken categories for MacInTax, and you can skip this step entirely. Actually, you will probably have some editing to do, but that shouldn't take too much time.



MacInTax Import dialog box to choose STD or text
Figure 8-4.

If you used both MacInTax and Quicken last year, read here.

If you used MacInTax and Quicken last year, filling out your return should be very easy this year. However, remember that you will want to use both Convert To... and Import. First use Convert To... to create a new return containing the personal information and other useful data from last year's return. Then with that new return open, use Import to transfer this year's financial data from Quicken.

Importing and Converting with EasyStep

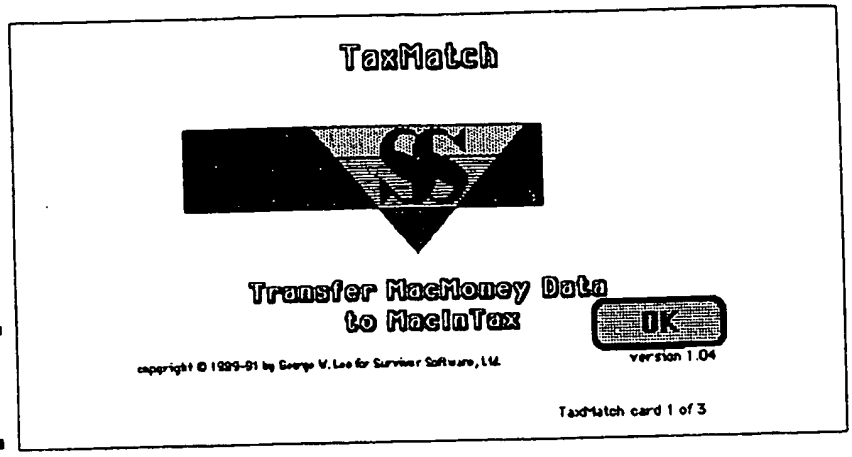
If you feel that EasyStep is the best approach for you, but would like to import your personal financial management records, don't worry. EasyStep will ask you if you used MacInTax last year and if you use Quicken. If you answer either or both yes, it will lead you through the steps necessary to import as much information as you can.

Importing a MacMoney File

If you used MacMoney to keep your financial records last year, you have three choices for getting that information into your tax return. As with the other personal financial management software, the best choice is often to print out last year's category list after the first of the new year. The year-to-date totals for tax-related categories can then be typed by hand into MacInTax. This is the simplest method.

You may wish instead to save to disk, as ASCII text, a tax summary report, such as the category list, which shows year-to-date totals for each category. You can then import this report into MacInTax and point and click to transfer amounts to the appropriate lines.

Your third choice is to use the HyperCard stack that came on your original MacMoney disk. If for some reason you do not have this stack, you can download it from major bulletin boards or contact Survivor Software. It will prepare an STD file from your MacMoney data. In the Hypercard stack (shown in Figure 8-5), you will go through the process of pairing MacMoney categories with MacInTax categories. The STD file can be imported by MacInTax and the information will flow directly to the correct places.



Text Import window
Figure 8-5.

If you edit your data in MacMoney and want to send the edited version to MacInTax, the HyperCard stack will remember the pairings between your MacMoney categories and the MacInTax ones. It will prepare the new STD report at the click of a button. Disappointingly, this is not true from year to year. Next year, you will have to match up the categories again.

Whatever method you use to copy information from MacMoney to MacInTax, remember to verify the accuracy of your MacMoney data. Any inaccuracies there might migrate to your tax returns.

Importing ASCII Text Files

All personal financial management programs will export a text file of the year-end report that can be imported by MacInTax. With MECA's Managing Your Money 5.0, this is the only way to electronically transfer tax information to MacInTax.

There may be circumstances under which you would want to import data from other Macintosh programs, such as Microsoft Excel. Most Macintosh programs can export ASCII text files with tab-delimited data (tabs between fields, returns between records). MacInTax can import these. You will have to decide if this solution makes sense in your situation.

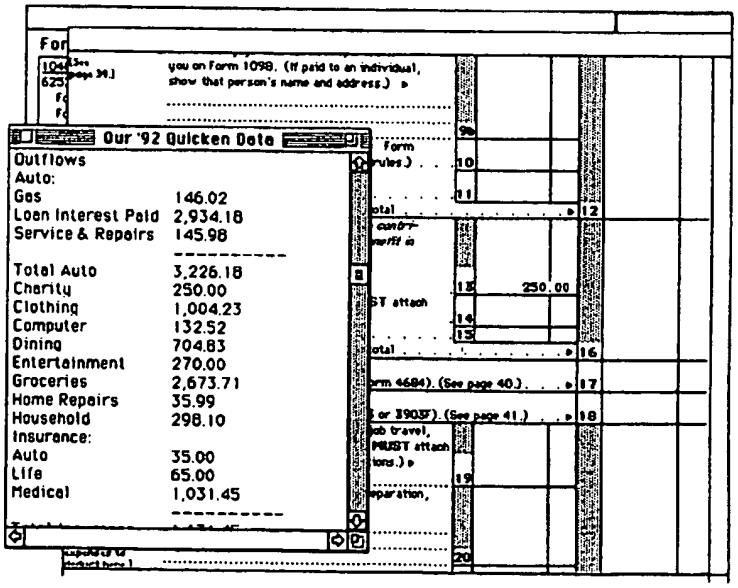
The problem is that MacInTax has no way of knowing where to put the dollar amounts from the text file. You will have to tell it by clicking on the dollar amount visible in the import window (as seen in Figure 8-6), then clicking on the line on a tax form to show MacInTax where to put the information. This is a sort of streamlined Copy and Paste.

The question is, are you saving enough time and effort to justify the extra effort of the ASCII text export and import? One minor advantage of importing is that you may reduce the typos that might creep into your tax return if you re-key all the dollar amounts.

How to Import an ASCII Text File

To import a text file into MacInTax, with your tax return open, choose Import... from the File menu. When the dialog box comes up, indicate that you will be importing text rather than STD (see Figure 8-4). In the Open dialog box, find the file you wish to import.

MacInTax will open it in a separate window. Resize the text window so you can see the data, yet click easily back and forth between it and the forms. You will want to resize the forms as well. Click on a piece of

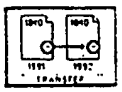


TaxMatch converts MacMoney data to STD

Figure 8-6.

any Macintosh file, by giving it a name and indicating where it should be saved.

Transfer

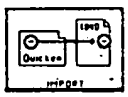


If you used MacInTax last year, this stage allows you to begin this year's return with as much information as possible already filled out from last year's MacInTax return. There is a slight glitch in the logic of EasyStep at this point. You were actually asked if you wished to open a new return based on last year's MacInTax return before you were given the chance to choose a new primary form. This is because MacInTax would have needed to offer you a different set of choices if you had said "yes." Therefore, EasyStep only moves from Form set to Transfer if you chose "yes" in answer to the question "Did you fill out your return in 1991 with MacInTax?" If you answered "no," it moves directly from Form set to Import.

If you did request that MacInTax begin a new return for you based on last year's, EasyStep first asks you to show where last year's return is on your hard disk. Then you are asked to select a primary form, save it, and convert it. Finally, you will be asked to choose which sort of conversion to do for this return. MacInTax will display a progress indicator while it prepares your return for this year with information from last year's return. Be patient—this is a very slow process.

It will fill in your name, address, social security number, filing status, dependents, and so forth with last year's information. It will not fill in your income and deductions with last year's amounts, because these will almost certainly have changed. For more information on converting, see Chapter 8.

Import



Next, EasyStep asks you if you used Quicken to track your personal and/or business finances in 1992. If you did, it will give you a chance to import your financial records from Quicken to fill in as much of your income and expenses as possible. Depending on the completeness of your records, this could be almost all there is to filling out your return.

ATTACHMENT D

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

DAVID S MILLER

Your 2004 Annual Statement Summary information is a personal summary of your account activity provided exclusively for our select clients. Data from Forms 1099, the definitive information for tax purposes, is repeated in this summary for your convenience. The gain (loss) calculations and tax exempt income data are provided to facilitate your review and are not reported to the IRS. The gain (loss) information may not include return of capital, sales load deferral or wash sales adjustments, or transactions that settled after December 31, 2004. RICs (which may include mutual funds and unit investment trusts) may reclassify principal distributions as capital gains. The Cost Basis for these securities may not have been adjusted on your statement to reflect such reclassifications. Please refer to information provided by the RIC and discuss with your tax adviser. In calculating gain (loss), unless otherwise noted, it was assumed that the oldest position was liquidated first, and that an election was in effect to amortize the premium paid on the purchase of taxable bonds. The cost for most Original Issue Discount ("OID") obligations includes the accretion of OID. Note the accrued OID shown in this section may differ from the Form 1099-OID section of the Tax Reporting Statement. Securities distributed from a retirement account reflect cost basis rather than tax basis. Other methods for calculating gain (loss) are available. Please consult your tax advisor for more information.

2004 ANNUAL STATEMENT SUMMARY

2004 DIVIDENDS AND DISTRIBUTIONS

Security Description	Quantity	Date	Transaction Description	Debit	Credit	Remarks
ORDINARY DIVIDENDS						
AIM MID CAP CORE EQUITY FUND CL C		12/20/04	SHORT TERM CAPITAL GAIN		317.05	
AMERICAN WASHINGTON MUTUAL INVESTORS FD CL C		03/22/04	DIVIDEND		24.19	
		06/21/04	DIVIDEND		23.75	
		09/20/04	DIVIDEND		25.17	
		12/20/04	DIVIDEND		36.23	
			Security Subtotal		109.34	
AMERICAN INVESTMENT COMPANY OF AMERICA CL C		03/08/04	DIVIDEND		36.80	
		06/07/04	DIVIDEND		37.79	
		09/07/04	DIVIDEND		36.12	
		12/15/04	DIVIDEND		35.99	
			Security Subtotal		146.70	
EVERGREEN ASSET ALLOCATION FD CL C		11/17/04	SHORT TERM CAPITAL GAIN		16.93	TRANSACTION ADDED
		12/30/04	DIVIDEND		1,048.62	TRANSACTION ADDED
			Security Subtotal		1,065.55	
EATON VANCE TAX-MANAGED DIVIDEND INCOME FD CL C		02/20/04	DIVIDEND		34.57	
		03/22/04	DIVIDEND		73.23	
		04/21/04	DIVIDEND		112.93	
		05/14/04	DIVIDEND		3.27	
		05/20/04	DIVIDEND		45.11	
		06/22/04	DIVIDEND		48.55	
		07/20/04	DIVIDEND		51.98	

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2004 DIVIDENDS AND DISTRIBUTIONS

Security Description	Quantity	Date	Transaction Description	Debit	Credit	Remarks
EATON VANCE TAX-MANAGED		08/20/04	DIVIDEND		59.56	
		09/21/04	DIVIDEND		63.18	
		10/21/04	DIVIDEND		66.75	
		11/22/04	DIVIDEND		70.23	
		12/21/04	DIVIDEND		390.25	
		01/04/05	DIVIDEND		84.10	PAY IN 2005/REP IN 2004
			Security Subtotal		1,103.71	
ING INTERNATIONAL VALUE FD CL C		11/23/04	FOREIGN DIVIDEND		112.55 (1)	
		11/23/04	FOREIGN TAX	33.04		
LORD ABBETT SECS TRUST ALL VALUE FD CL C		11/24/04	DIVIDEND		45.70	
MUTUAL DISCOVERY FD CL C		09/22/04	DIVIDEND		149.02	
		12/22/04	FOREIGN TAX	62.88		PAY DATE 12/21/2004
		12/22/04	FOREIGN DIVIDEND		372.04 (1)	
		12/28/04	DIVIDEND		13.96	
			Security Subtotal	62.88	535.02	
STATE STR RESCH AURORA FD CL C		12/20/04	SHORT TERM CAPITAL GAIN		681.25	
OPPENHEIMER REAL ASSET FD CL C		12/14/04	DIVIDEND		7.89	
		12/14/04	SHORT TERM CAPITAL GAIN		1,931.35	
			Security Subtotal		1,939.24	
GOLDMAN SACHS SMALL CAP VALUE FD CL C		12/13/04	SHORT TERM CAPITAL GAIN		84.04	
BLACKROCK INTL OPP PORT C		12/21/04	FOREIGN TAX	21.53		PAY DATE 12/20/2004
		12/21/04	FOREIGN DIVIDEND		82.47 (1)	

(1) Foreign = 567.06

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2004 ANNUAL STATEMENT SUMMARY

2004 DIVIDENDS AND DISTRIBUTIONS

Security Description	Quantity	Date	Transaction Description	Debit	Credit	Remarks
MFS VALUE FD CL C		03/30/04	DIVIDEND		36.57	
		06/29/04	DIVIDEND		62.31	
		09/29/04	DIVIDEND		62.13	
		12/03/04	DIVIDEND		92.79	
			Security Subtotal		253.80	
CMA NY MUNICIPAL MONEY		12/31/04	SHORT TERM CAPITAL GAIN		15.23	
TOTAL FOREIGN TAX PAID (LINE 6 1099-DIV)				117.43		
TOTAL ORDINARY DIVIDENDS (LINE 1A 1099-DIV)					6,491.65	
QUALIFIED DIVIDENDS						
AMERICAN WASHINGTON		03/22/04	QUALIFIED DIVIDEND		24.19	REFER TO DIV
MUTUAL INVESTORS FD CL C		06/21/04	QUALIFIED DIVIDEND		23.75	REFER TO DIV
		09/20/04	QUALIFIED DIVIDEND		25.17	REFER TO DIV
		12/20/04	QUALIFIED DIVIDEND		36.23	REFER TO DIV
			Security Subtotal		109.34	
AMERICAN INVESTMENT		03/08/04	QUALIFIED DIVIDEND		34.26	REFER TO DIV
COMPANY OF AMERICA CL C		06/07/04	QUALIFIED DIVIDEND		35.18	REFER TO DIV
		09/07/04	QUALIFIED DIVIDEND		33.62	REFER TO DIV
		12/15/04	QUALIFIED DIVIDEND		33.52	REFER TO DIV
			Security Subtotal		136.58	
EVERGREEN ASSET		11/17/04	QUALIFIED DIVIDEND		7.43	REFER TO STCG
ALLOCATION FD CL C		12/30/04	QUALIFIED DIVIDEND		461.86	REFER TO DIV
			Security Subtotal		469.29	

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2004 ANNUAL STATEMENT SUMMARY

2004 DIVIDENDS AND DISTRIBUTIONS

Security Description	Quantity	Date	Transaction Description	Debit	Credit	Remarks
EATON VANCE TAX-MANAGED DIVIDEND INCOME FD CL C		02/20/04	QUALIFIED DIVIDEND		34.57	REFER TO DIV
		03/22/04	QUALIFIED DIVIDEND		73.23	REFER TO DIV
		04/21/04	QUALIFIED DIVIDEND		112.93	REFER TO DIV
		05/20/04	QUALIFIED DIVIDEND		45.11	REFER TO DIV
		06/22/04	QUALIFIED DIVIDEND		48.55	REFER TO DIV
		07/20/04	QUALIFIED DIVIDEND		51.88	REFER TO DIV
		08/20/04	QUALIFIED DIVIDEND		59.56	REFER TO DIV
		09/21/04	QUALIFIED DIVIDEND		83.18	REFER TO DIV
		10/21/04	QUALIFIED DIVIDEND		68.75	REFER TO DIV
		11/22/04	QUALIFIED DIVIDEND		70.23	REFER TO DIV
		12/21/04	QUALIFIED DIVIDEND		390.25	REFER TO DIV
		01/04/05	QUALIFIED DIVIDEND		84.10	PAY IN 2005/REP IN 2004
						REFER TO CDIV
			Security Subtotal		1,100.44	
MUTUAL DISCOVERY FD CL C		06/22/04	QUALIFIED DIVIDEND		116.35	REFER TO DIV
		12/22/04	QUALIFIED DIVIDEND		358.77	REFER TO FDV
		12/28/04	QUALIFIED DIVIDEND		13.54	REFER TO DIV
			Security Subtotal		488.66	
BLACKROCK INTL OPP PORT C		12/21/04	QUALIFIED DIVIDEND		82.47	REFER TO FDV
MFS VALUE FD CL C		03/30/04	QUALIFIED DIVIDEND		38.57	REFER TO DIV
		06/28/04	QUALIFIED DIVIDEND		62.31	REFER TO DIV
		09/28/04	QUALIFIED DIVIDEND		62.13	REFER TO DIV
		12/03/04	QUALIFIED DIVIDEND		92.79	REFER TO DIV
			Security Subtotal		253.80	
TOTAL QUALIFIED DIVIDENDS (LINE 1B 1099-DIV)					2,640.58	
CAPITAL GAIN DISTRIBUTIONS						
LONG-TERM CAPITAL GAINS DISTRIBUTIONS						
AIM MID CAP CORE EQUITY FUND CL C		12/20/04	LONG TERM CAPITAL GAIN		868.93	

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2004 ANNUAL STATEMENT SUMMARY

2004 DIVIDENDS AND DISTRIBUTIONS

Security Description	Quantity	Date	Transaction Description	Debit	Credit	Remarks
AMERICAN AMCAP FUND CL C		12/03/04	LONG TERM CAPITAL GAIN		193.51	
AMERICAN WASHINGTON MUTUAL INVESTORS FD CL C		12/20/04	LONG TERM CAPITAL GAIN		72.46	
AMERICAN INVESTMENT COMPANY OF AMERICA CL C		12/15/04	LONG TERM CAPITAL GAIN		190.95	
EVERGREEN ASSET ALLOCATION FD CL C		11/17/04	LONG TERM CAPITAL GAIN		242.38	
ING INTERNATIONAL VALUE FD CL C		11/23/04	LONG TERM CAPITAL GAIN		578.98	
LORD ABBETT SECS TRUST ALL VALUE FD CL C		11/24/04	LONG TERM CAPITAL GAIN		352.02	
STATE STR RESCH AURORA FD CL C		12/20/04	LONG TERM CAPITAL GAIN		3,774.27	
OPPENHEIMER REAL ASSET FD CL C		12/14/04	LONG TERM CAPITAL GAIN		2,095.16	
LORD ABBETT MID-CAP VALUE FD CL C		12/22/04	LONG TERM CAPITAL GAIN		568.58	
GOLDMAN SACHS SMALL CAP VALUE FD CL C		12/13/04	LONG TERM CAPITAL GAIN		839.72	
CMA NY MUNICIPAL MONEY		12/31/04	LONG TERM CAPITAL GAIN		40.83	
TOTAL LONG-TERM CAPITAL GAINS DISTRIBUTIONS					9,915.77	
TOTAL CAPITAL GAIN DISTRIBUTIONS (LINE 2A 1099-DIV)					9,915.77	

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2004 ANNUAL STATEMENT SUMMARY

2004 NON-REPORTABLE INCOME*

Security Description	Transaction Description	Debit	Credit
NON-REPORTABLE MONEY FUND DIVIDENDS			
CMA NY MUNICIPAL MONEY	DIVIDEND		2,433.30
TOTAL NON-REPORTABLE MONEY FUND DIVIDENDS			**2,433.30**

* Merrill Lynch will not report this information to the IRS. However, the income from these securities may be subject to the Alternative Minimum Tax (AMT). Consult your tax advisor for more details.

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ATTACHMENT E

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

H

Briefs and Other Related Documents

CollegeNet, Inc. v. ApplyYourself, Inc.C.A.Fed. (Or.),2005.

United States Court of Appeals,Federal Circuit.

COLLEGENET, INC., Plaintiff-Appellant,

v.

APPLYYOURSELF, INC., Defendant-Cross Appellant.

Nos. 04-1202, 04-1222, 04-1251.

Aug. 2, 2005.

Background: Owner of patents for online college admission application service sued competitor for infringement. After jury found infringement, the United States District Court for the District of Oregon, Dennis J. Hubel, United States Magistrate Judge, 2003 WL 23778092, granted competitor's motion for judgment as matter of law with regard to one patent. Cross-appeals were taken.

Holdings: The Court of Appeals, Rader, Circuit Judge, held that:

(1) requirement in first patent, that applicant information be provided "in a format specified by the institution," meant that institutions could choose among finite set of supported format choices, and

(2) requirement in second patent, that certain functions occur "automatically," meant that, once initiated, function was performed by machine, without need for manually performing function.

Affirmed in part and reversed in part.

West Headnotes

[1] Patents 291 ⚷324.5

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k324 Appeal
291k324.5 k. Scope and Extent of Review in General. Most Cited Cases
Appellate court reviews patent claim construction without deference.

[2] Courts 106 ⚷96(7)

106 Courts
106II Establishment, Organization, and Procedure
106II(G) Rules of Decision
106k88 Previous Decisions as Controlling or as Precedents
106k96 Decisions of United States Courts as Authority in Other United States Courts
106k96(7) k. Particular Questions or Subject Matter. Most Cited Cases
Motion for judgment as matter of law, filed in patent case, is governed by regional circuit law. Fed.Rules Civ.Proc.Rule 50, 28 U.S.C.A.

[3] Federal Civil Procedure 170A ⚷2608.1

170A Federal Civil Procedure
170AXVII Judgment
170AXVII(E) Notwithstanding Verdict
170Ak2608 Evidence
170Ak2608.1 k. In General. Most Cited Cases
To warrant post-verdict judgment as matter of law, evidence, construed in light most favorable to non-moving party, must permit only one reasonable conclusion, and that conclusion must be contrary to jury's. Fed.Rules Civ.Proc.Rule 50(b), 28 U.S.C.A.

[4] Evidence 157 ⚷597

157 Evidence
157XIV Weight and Sufficiency
157k597 k. Sufficiency to Support Verdict or Finding. Most Cited Cases
"Substantial evidence" supporting jury verdict is that relevant evidence that reasonable mind would accept as adequate to support conclusion. Fed.Rules Civ.Proc.Rule 50(b), 28 U.S.C.A.

[5] Courts 106 ⚷96(7)

106 Courts
106II Establishment, Organization, and Procedure
106II(G) Rules of Decision
106k88 Previous Decisions as Controlling or as Precedents
106k96 Decisions of United States Courts as Authority in Other United States Courts
106k96(7) k. Particular Questions or Subject Matter. Most Cited Cases

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Motion for new trial, filed in patent case, is governed by regional circuit law. Fed.Rules Civ.Proc.Rule 50, 28 U.S.C.A.

[6] Federal Courts 170B 825.1

170B Federal Courts
170BVIII Courts of Appeals
170BVIII(K) Scope, Standards, and Extent
170BVIII(K)4 Discretion of Lower Court
170Bk825 New Trial or Rehearing
170Bk825.1 k. In General. Most Cited Cases
Grant of new trial is reviewed for abuse of discretion. Fed.Rules Civ.Proc.Rule 50, 28 U.S.C.A.

[7] Courts 106 96(7)

106 Courts
106II Establishment, Organization, and Procedure
106II(G) Rules of Decision
106k88 Previous Decisions as Controlling or as Precedents
106k96 Decisions of United States Courts as Authority in Other United States Courts
106k96(7) k. Particular Questions or Subject Matter. Most Cited Cases
Motion for summary judgment, filed in patent case, is governed by regional circuit law. Fed.Rules Civ.Proc.Rule 56(c), 28 U.S.C.A.

[8] Federal Civil Procedure 170A 2470

170A Federal Civil Procedure
170AXVII Judgment
170AXVII(C) Summary Judgment
170AXVII(C)1 In General
170Ak2465 Matters Affecting Right to Judgment
170Ak2470 k. Absence of Genuine Issue of Fact in General. Most Cited Cases

Federal Civil Procedure 170A 2470.4

170A Federal Civil Procedure
170AXVII Judgment
170AXVII(C) Summary Judgment
170AXVII(C)1 In General
170Ak2465 Matters Affecting Right to Judgment
170Ak2470.4 k. Right to Judgment as Matter of Law. Most Cited Cases
Summary judgment is appropriate if, drawing all factual inferences in favor of non-movant, there is no genuine issue of material fact and movant is entitled to judgment as matter of law. Fed.Rules Civ.Proc.Rule 56(c), 28 U.S.C.A.

[9] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
Requirement in patent for online college admission application service, that applicant information be provided "in a format specified by the institution," meant that institutions could choose among finite set of supported format choices.

[10] Patents 291 161

291 Patents
291IX Construction and Operation of Letters Patent
291IX(A) In General
291k161 k. State of the Art. Most Cited Cases
Inquiry into how person of ordinary skill in the art understands patent claim term provides objective baseline from which to begin claim interpretation.

[11] Patents 291 162

291 Patents
291IX Construction and Operation of Letters Patent
291IX(A) In General
291k162 k. Contemporaneous Construction of Inventor. Most Cited Cases
Patent applicant may consistently and clearly use term in manner either more or less expansive than its general usage in relevant community, and thus expand or limit scope of term in context of patent claims.

[12] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
Patent claim term "a" or "an" ordinarily means one or more.

[13] Patents 291 229

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291 Patents
291XII Infringement
291XII(A) What Constitutes Infringement
291k228 Patents for Processes
291k229 k. Identity in General. Most Cited Cases
Patent for online college admission application service, allowing institutions to choose among finite set of supported format choices for receiving applicant information, was infringed by accused system, which provided institutions with data in variety of formats.

[14] Patents 291 313

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k313 k. Dismissal Before Hearing. Most Cited Cases
Dismissal of patent infringement defendant's invalidity defense and counterclaim "without prejudice" was not abuse of discretion, even though defendant had not sought dismissal until after it had presented its case on invalidity; patentee had kept claim construction in flux throughout trial.

[15] Patents 291 324.1

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k324 Appeal
291k324.1 k. In General. Most Cited Cases
Patent infringement defendant adequately preserved its objection to court's claim construction for appellate review, even though it did not formally object to trial court's jury instruction; defendant flagged instruction as disputed and referred court to construction it had unsuccessfully advocated at *Markman* hearing. Fed.Rules Civ.Proc.Rule 51, 28 U.S.C.App.(2000 Ed.).

[16] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
Requirement in patent for online college admission application service, that certain functions occur "automatically," meant that, once initiated, function was performed by machine, without need for manually performing function.

[17] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
Transitional patent claim term "comprising" is inclusive or open-ended, and does not exclude additional, unrecited elements or method steps.

[18] Patents 291 319(1)

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k319 Damages
291k319(1) k. In General. Most Cited Cases
Infringement of even single claim entitles patentee to damages.

Patents 291 328(2)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original Utility. Most Cited Cases
5,640,577. Cited as Prior Art.

Patents 291 328(2)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original Utility. Most Cited Cases
6,345,278, 6,460,042. Infringed.

***1226** John D. Vandenberg, Klarquist Sparkman, LLP, of Portland, Oregon, argued for plaintiff-appellant. With him on the brief were Kristin L. Cleveland, Scott E. Davis and Michael N. Zachary.
J. Michael Jakes, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, of Washington, DC, argued for defendant-cross appellant. On the brief were

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Raymond C. Jones, Lawrence E. Carr III and Timothy R. Feely, Carr, Morris & Graeff, PC, of Washington, DC. Of counsel on the brief was Jeff E. Schwartz, Preston Gates Ellis & Rouvelas Meeds LLP, of Washington, DC. Of counsel was Kathleen C. Bricken, Garvey Schubert Barer, of Portland, Oregon.

Before LOURIE, RADER, and SCHALL, Circuit Judges.

RADER, Circuit Judge.

In the United States District Court for the District of Oregon, a jury found that ApplyYourself, Inc. (ApplyYourself) infringed claims 2-8, 13-17, and 22-31 of CollegeNet, Inc.'s (CollegeNet) U.S. Patent No. 6,345,278 (the '278 patent), and claims 1-39 and 41-44 of CollegeNet's U.S. Patent No. 6,460,042 (the '042 patent). On a motion for judgment as a matter of law (JMOL), the district court granted ApplyYourself's motion for noninfringement of the '042 patent and alternative motion for a new trial. *CollegeNet, Inc. v. ApplyYourself, Inc.*, 2003 WL 23778092 (D.Or. Dec.9, 2003). Because the district court misconstrued the phrase "in a format specified by the institution" in the '042 patent, this court reverses the JMOL and reinstates the jury verdict of infringement. This court also holds that the district court correctly dismissed without prejudice ApplyYourself's counterclaim and affirmative defenses that the '042 patent was invalid. In addition, this court holds the district court correctly construed the '278 patent's "automatic" limitation and correctly denied ApplyYourself's motion for a new trial on the claims relating to the '278 patent's "in a format specified by the institution" limitation.

I.

The '042 patent (issued Oct. 1, 2002) is a continuation of the '278 patent (issued Feb. 5, 2002). Both patents share a common specification. The patents are directed to an online service for reducing the amount of work required by applicants and institutions in, respectively, submitting and processing applications for admission. In a common application of this online service, a college applicant could access a site and fill out an application to a particular university or institution. The applicant's data would then remain available to complete applications for other universities and institutions. The applicant could thus apply with greater ease to multiple institutions. At the same time, the system would allow the institutions to access the applicant's submitted information online and, in addition, allow the institutions to request delivery of the information in a particular format, thereby reducing the amount of work required by the institution in processing the application. As the '042 patent describes:

> A forms engine allows data sharing between customizable on-line forms, such as college admissions applications. Before applying, an applicant opens an account with a third party application servicer. After the applicant completes an application for one institution, the data is saved in a data base and *automatically* populates fields in subsequent application forms. The form for each institution is created from a form description file. Each form is branded for its institution and forms for different institutions differ in appearance and content so that the presence of the third party servicer is transparent to the applicant.

'042 patent, Abstract (emphasis added).

The '278 patent is specifically directed to the data-sharing-component of the invention, *i.e.*, the component that transfers common information-such as applicant name and date of birth-to multiple applications. Independent claim 1 is representative:

> 1. A method of creating and processing over a computer network forms representing applications to different higher education institutions, comprising:
> creating in response to a request from an applicant for an application to a first institution a first application form customized***1228** in accordance with the preferences of the first institution, the first application form including first form data fields for entering applicant information;
> providing to the applicant over a computer network the first application form;
> entering the applicant information in the first form data fields;
> posting the applicant information entered into the first form data fields of the first application form to a server;
> storing the posted applicant information in a database having a database field structure defined by multiple database fields, the database including multiple records, each record capable of storing information corresponding to each of the database fields;
> creating in response to a request from the applicant for an application to a second institution a second application form customized in accordance with the preferences of the second institution, the second application form including second form data fields for entering applicant information, at least one of the second form data fields corresponding to applicant information not entered into the first form data fields;
> *automatically* inserting into some of the second form

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data fields applicant information from the database;
providing to the applicant over a computer network the second application form;
entering applicant information into the second form data fields into which information was not inserted from the data storage or into which the data inserted from the data storage is to be changed;
posting the applicant information entered into the second form data fields to the server; and
automatically storing the applicant information entered into the second form data fields into the database by adding new records to the database, the automatic storing of the applicant information not altering the database field structure, thereby allowing new form data fields corresponding to applicant information not previously requested to be added to an application form without requiring alterations of existing application forms or of programs that access the database, whereby customized applications to different institutions share data through common, extensible data storage.

'278 patent at col. 22, l. 34-col. 23, l. 14 (emphasis added).

The '042 patent, in turn, is directed to the portion of the invention that reduces the burdens imposed on institutions in processing applications for admission. In particular, the '042 patent claims a method in which the institution receives the application "in a format specified by the institution." Independent claim 16 is representative:

16. A method of processing over a computer network forms directed by multiple public forms users to multiple institutions, the forms being processed by a third party forms servicer that is neither one of the multiple institutions nor one of the public forms users, the method comprising:
presenting to a form user over a computer network by a third party forms servicer a form directed to one of the multiple institutions, the forms including fields for the forms user to enter user information;
receiving by the third party forms servicer over the computer network user information and electronic payment information entered by the user;
***1229** processing by the third party forms servicer an electronic payment associated with the form, the processed payment being from the user to the one of the multiple institutions to which the form is directed;
providing by the third party forms servicer the user information to the institution to which the form is directed *in a format specified by the institution,* the third party forms servicer thereby providing to public form user customized forms identified with institution of higher education and providing to the institutions custom-formatted data, while relieving the institution of the administrative burden of processing forms and payments.

'042 patent, col. 36, ll. 32-57 (emphasis added).

ApplyYourself offers online systems for processing application forms. Flagship was ApplyYourself's first online system. It includes a software component called "AIM" (ApplyYourself Information Manager) that offers a number of ways that an institution can specify a particular application format. ApplyYourself's second product, known as the i-Class system, delivers data to the institution in three general types of file formats-fixed-width, delimited, and XML. Each format type offered many variations.

On April 12, 2002, CollegeNet filed suit against ApplyYourself for infringement of the '278 patent. On October 1, 2002, CollegeNet filed a separate suit for infringement of the '042 patent. The district court consolidated the two cases and assigned them to the Honorable Dennis J. Hubel, United States Magistrate Judge, for trial. The district court ultimately granted CollegeNet summary judgment of infringement as to claims 1, 9, 10 and 21 of the '278 patent, but denied summary judgment on the '042 patent. With respect to the '042 patent, the court determined that there were genuine issues of material fact as to whether the Flagship or i-Class systems satisfied the "in a format specified by the institution" limitation, which the court had previously construed to mean "any file and other formats specified by that institution."

The issue of infringement of all of the claims of the '042 patent and the remaining claims of the '278 patent therefore proceeded to trial. The jury found infringement of all claims except claims 18-20 of the '278 patent. However, the district court subsequently granted ApplyYourself's motion for JMOL of noninfringement of the '042 patent and, in the alternative, a new trial. The court found that no reasonable juror could find infringement of the "in a format specified by the institution" limitation.

This appeal followed. In the main appeal, CollegeNet contends that the district court erred in granting ApplyYourself JMOL of non-infringement of the '042 patent and, in the alternative, a new trial. CollegeNet principally argues that the district court erred in its construction of the "in a format specified by the institution" limitation. CollegeNet also argues that the district court erred in allowing

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ApplyYourself to dismiss its affirmative defense and counterclaim of invalidity without prejudice.

ApplyYourself cross-appeals the district court's grant of summary judgment of infringement of claims 1, 9, 10 and 21 of the '278 patent. ApplyYourself contends that the district court erred in its construction of "automatically," which is a limitation of all of the claims of the '278 patent. This court addresses the parties' arguments in turn, starting with the issues raised in the main appeal.

***1230 II.**

[1][2][3][4] This court reviews claim construction without deference. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed.Cir.1998) (*en banc*); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed.Cir.1995), *aff'd*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). This court reviews a motion for JMOL "under the law of the regional circuit where the appeal from the district court normally would lie." *Riverwood Int'l Corp. v. R.A. Jones & Co.*, 324 F.3d 1346, 1352 (Fed.Cir.2003). The United States Court of Appeals for the Ninth Circuit reviews a district court's order granting JMOL without deference. *See Vollrath Co. v. Sammi Corp.*, 9 F.3d 1455, 1460 (9th Cir.1993). Judgment as a matter of law requires that "the evidence, construed in the light most favorable to the non-moving party, permits only one reasonable conclusion, and that conclusion is contrary to the jury's." *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir.2002). The Ninth Circuit upholds any jury verdict supported by substantial evidence. *Id.* Substantial evidence is that relevant evidence that a reasonable mind would accept as adequate to support a conclusion. *Gillette v. Delmore*, 979 F.2d 1342, 1346 (9th Cir.1992).

[5][6] This court reviews the district court's grant of a new trial under the law of the regional circuit. *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365, 1374 (Fed.Cir.2001). In the Ninth Circuit, "a grant of a new trial is reviewed for abuse of discretion." *Id.* (*citing United States v. 4.0 Acres of Land*, 175 F.3d 1133, 1139 (9th Cir.1999)). "Thus, [this court] may find that a district court abused its discretion in ordering a new trial if the jury's verdict is not against the clear weight of the evidence." *Id.* Because the district court has broad discretion in decisions having preclusive effects on the parties, the appellate court applies the abuse of discretion standard for those decisions. *Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 607 (9th Cir.1992).

[7][8] This court reviews a district court's grant of a summary judgment motion under the law of the regional circuit. *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178, 1191 (Fed.Cir.2004). In the Ninth Circuit, a grant of summary judgment is reviewed de novo. *Leonel v. Am. Airlines, Inc.*, 400 F.3d 702, 708 (9th Cir.2005). "Summary judgment is appropriate if, drawing all factual inferences in favor of the non-movant, there is no genuine issue of material fact and the movant is entitled to judgment as a matter of law." *Combined Sys., Inc. v. Def. Tech. Corp.*, 350 F.3d 1207, 1209 (Fed.Cir.2003).

A.

[9] In the main appeal, CollegeNet contends that, in granting JMOL of noninfringement of the '042 patent, the district court misconstrued the "in a format specified by the institution" limitation. The context of the term's usage is shown above in representative claim 16. The district court instructed the jury as follows:

User information provided to the institution by the servicer is available in an *unlimited number of formats* and is processed wholly by the third party forms servicer and not the institution. That is, the function is one of *providing limitless formats* for the transfer of user information from the servicer to the institution with no additional formatting or mapping performed by the institution.

This construction does not preclude formatting, mapping, or other manipulation of the user information data by the institution once it is received by the institution in a format specified by the institution.

***1231** Any reference to "*unlimited number of formats* " and "*limitless formats* " should be interpreted to mean that the third party forms servicer provides the user information to the institution in *any format specified* by the institution.

"in a *format* specified by the institution" means in any *file format,* and it may include any other type of format, specified by the institution.

(Emphases added).

[10][11] The '042 patent does not expressly define these disputed claim terms. Thus, this court, like the district court, must derive the meaning of these disputed claim terms from their usage and context. This court seeks a term's usage in the ordinary and accustomed meaning of the words amongst artisans

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of ordinary skill in the relevant art at the time of invention. *See* Phillips v. AWH Corp., 415 F.3d 1303, 1312, 2005 WL 1620331 at *5 (Fed.Cir.2005) (en banc) (*citing* Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc., 381 F.3d 1111, 1116 (Fed.Cir.2004)); Rexnord Corp. v. Laitram Corp., 274 F.3d 1336, 1342 (Fed.Cir.2001). Indeed, "[t]he inquiry into how a person of ordinary skill in the art understands a claim term provides an objective baseline from which to begin claim interpretation." Phillips, 415 F.3d at 1312, 2005 WL 1620331 *5. "Importantly, the person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification." Id. Thus, a patent applicant may use the words in the specification, prosecution history, or both "in a manner inconsistent with its ordinary meaning." Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp., 320 F.3d 1339, 1347 (Fed.Cir.2003) (citing Teleflex, Inc. v. Ficosa N. Am. Corp., 299 F.3d 1313, 1325-26 (Fed.Cir.2002)). In other words, a patent applicant may consistently and clearly use a term in a manner either more or less expansive than its general usage in the relevant community, and thus expand or limit the scope of the term in the context of the patent claims. *See* Ballard Med. Prods. v. Allegiance Healthcare Corp., 268 F.3d 1352, 1361 (Fed.Cir.2001) (noting that an applicant may disclaim claim scope during prosecution); Middleton, Inc. v. Minn. Mining & Mfg. Co., 311 F.3d 1384, 1388 (Fed.Cir.2002) (explaining that in order to disavow claim scope, a patent applicant must clearly and unambiguously express surrender of subject matter during prosecution). In examining the specification for proper context, however, this court will not at any time import limitations from the specification into the claims. Teleflex, Inc. v. Ficosa N. Am. Corp., 299 F.3d 1313, 1326 (Fed.Cir.2002).

In this case, this court agrees with CollegeNet that the district court erred in construing the claim limitation "a format specified by the institution" to require an unlimited number of formats. First, the district court improperly read the term "format" to mean "any file format." The specification and claims use the word "format" in its customary sense to mean the arrangement of data for storage or display. *See* Phillips, 415 F.3d at 1316, 2005 WL 1620331 at *9 (" 'customary meaning' refers to the 'customary meaning in [the] art field' ") (*citing* Home Diagnostics, Inc. v. LifeScan, Inc., 381 F.3d 1352, 1358 (Fed.Cir.2004)). For example, in describing data formatting, the '042 patent states:

> Not only are the individual data elements tailored to the specifications of a particular institution, the entire data set is formatted to conform to that [institution's] needs. The data formats may include 1) comma separated values, 2) tab delimited values, 3) fixed length formats, 4) name/value pairs, and 5) EDI ***1232** 189. For all of these methods, of course, the data is ordered as required (e.g., Social Security number first, last name second, high school name 33rd, etc.).
>
> '042 patent, col. 20, l. 66 to col. 21, l. 6. By listing five exemplary data formats, this passage suggests that an institution may tailor the arrangement of data to its needs within reasonable parameters, namely within one of the supported data formats. While the particular set of supported formats may indeed be broader than those specifically listed in the specification, at no point, however, does the patent require support for an "unlimited" number of formats. Id., col. 3, ll. 52-54 ("[T]he invention is not limited, however, to the processing of any particular type of form or to the use of any particular network or database."). Thus, the district court's definition of "format" was unnecessarily narrow.

[12] The district court also overlooked this court's precedent on the meaning of "a." "It is well settled that the term 'a' or 'an' ordinarily means 'one or more.' " Tate Access Floors, Inc. v. Interface Architectural Res., Inc., 279 F.3d 1357, 1370 (Fed.Cir.2002). The district court replaced "a" with "any." For this proposition, the trial court relied on passages from the specification, which state that the invention "allows the information submitted by the applicant to be transmitted to each institution in *any* data format that the institution requests so the institution is not required to convert the data to a usable format." '042 patent, col. 8, ll. 22-26 (emphasis added). The specification also states:

> The completed application is transmitted to the institution with the data in *any* format that the institution prefers. The institution can therefore upload the data directly into its applicant or student information system database, merging the information seamlessly into their existing work flow, thereby avoiding the additional expense and errors of re-keyboarding the information. The forms engine thus has the capability of outputting application information universally across platforms.

Id. at col. 9, ll. 4-13 (emphasis added). Based on these passages, the district court reasoned that the claim language requires an unlimited number of formats because it contains no express numeric

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limitation. *CollegeNet, Inc., v. ApplyYourself, Inc.*, Nos. CV-02-484-HU, CV-02-1359-HU, slip. op. at 8, 2003 WL 23778087 (D.Or. Sept. 3, 2003) (*Claim Construction Reconsideration*).

Contrary to the district court's conclusion, the claim language's use of "a" contains the limitation of one or more. In context, the specification notes that the institution may choose any format that is "requested" and "usable." *See* '042 patent, col. 8, ll. 22-26.[FN1] In other words, the '042 patent merely requires the institution to specify an acceptable format so it does not have to convert the data to another format. The patent does not require an infinite number of format choices in advance. Instead, the patent accommodates a system that allows the institutions to choose amongst a finite set of supported format choices. This choice qualifies as "a format specified by the institution" in the words of the claim.

> FN1. As quoted above, the invention "allows the information submitted by the applicant to be transmitted to each institution in any data format that the institution *requests* so the institution is not required to convert the data to a *usable* format." (Emphases added.)

ApplyYourself points to the prosecution history to further advance its position that the district court correctly required an unlimited number of formats. During ***1233** prosecution of the parent '278 application, co-inventor and CollegeNet CEO James Wolfston distinguished his invention over ApplyWeb I by stating "ApplyWeb I could not process the applicant information to put it into a form specified by the college." [A5905] Mr. Wolfston further explained that the ApplyWeb I program was "too inflexible to provide the customized application format and customized data processing uploads required by the participating institutions." Contrary to ApplyYourself's contentions, Mr. Wolfston's statements do not require his invention to offer an infinite selection of formats. Rather, Mr. Wolfston's statements merely distinguish his invention from an inflexible, non-customizable item of prior art that provides data in a single, vendor-determined format without any input, selection or other specification from the institution.

In sum, in its determination that "a format specified by the institution" requires an unlimited number of formats, the district court defined "format" too narrowly by limiting it to any "file format" and erroneously imported the term "any" into the claim language, ignoring the ordinary meaning of the term "a."

B.

[13] CollegeNet next contends that, under the proper claim construction, substantial evidence supports the jury verdict of infringement. This court agrees, and therefore directs the district court to reinstate the jury's verdict of infringement. ApplyYourself's Request for Admission (RFA) responses admitted that both accused systems (Flagship and i-Class) "make[] user information available to an institution of higher education in a format specified by that institution of higher education." While the district court instructed the jury not to consider these admissions as binding, the district court still allowed the jury to consider the admissions as substantive evidence. In addition, ApplyYourself's manuals and marketing materials touted the systems' capability to provide an institution with data in a variety of formats. This record evidence amply supports the jury verdict.

The jury also considered evidence that i-Class allowed institutions to view data directly on the Web "to create very customized reports." i-Class also made applicant data available using XML, which CollegeNet's expert testified is a kind of universal format that makes it usable by any institution without the need to re-key application data. CollegeNet's expert also testified that the i-Class Admissions Manual represents that ApplyYourself provides whatever format the institution wants. In addition, by directing the jury to determine only whether ApplyYourself's accused systems met the limitation relating to the format in which the third party forms servicer provides applicant information to educational or other institutions, the district court effectively instructed the jury that all other parts of claims 1, 16 and 32 were met.

This court therefore reverses the grant of JMOL and reinstates the jury verdict. In addition, because the jury verdict is also not against the clear weight of the evidence, this court also reverses the district court's alternative grant of a new trial on infringement.

C.

[14] The final issue raised in the main appeal concerns the district court's decision to dismiss

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without prejudice ApplyYourself's affirmative defense and counterclaim asserting invalidity of the '042 patent. After ApplyYourself rested its case at trial, which included offering evidence of invalidity, but before CollegeNet had presented its rebuttal, ***1234** ApplyYourself abandoned its prior art invalidity defense and counterclaim. The district court dismissed ApplyYourself's defense and counterclaim without prejudice, rather than with prejudice, because it found that CollegeNet had kept the claim construction "in flux" throughout trial. *CollegeNet, Inc., v. ApplyYourself, Inc.*, Nos. CV-02-484-HU, CV-02-1359-HU, slip. op. at 37, 2004 WL 2050489 (D.Or. Jan. 20, 2004). CollegeNet argues the trial court should have dismissed ApplyYourself's defense and counterclaim with prejudice, because ApplyYourself sought dismissal only after presenting its case on invalidity.

While CollegeNet's argument has some merit, this court affirms the district court's ruling because the district court did not abuse its discretion. The trial court has discretion to develop the record fully and decide when the record is adequate to construe the claims. To the extent that the record remains somewhat flexible during its development, the trial court has the discretion to determine whether a party has had an adequate opportunity to present invalidity arguments in the changing claim construction environment, and whether a party has acted in a reasonably timely manner in requesting dismissal of a claim without prejudice. Given the wide discretion afforded district courts to manage trial practice, this court does not perceive that the district court abused its discretion.

D.

[15] In its cross-appeal, ApplyYourself argues that the district court's grant of summary judgment of infringement of the '278 patent was improper, because it was based on an incorrect construction of the term "automatically." However, before reaching the merits of ApplyYourself's appeal, this court must first address whether ApplyYourself waived its right to challenge the construction of this term. Rule 51 of the Federal Rules of Civil Procedure provides that "no party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection." Fed.R.Civ.P. 51 (2002).[FN2] Though not formally objecting to the jury instruction and risking the loss of a right to appeal, ApplyYourself did flag the instruction in its Joint Submission of Jury Instructions as "disputed." ApplyYourself also referred the court to the *Markman* ruling, in which the district court rejected ApplyYourself's proposed construction, and to ApplyYourself's construction of "automatic" in the Joint Claims Construction Statement. *CollegeNet, Inc. v. ApplyYourself, Inc.*, Nos. CV-02-484-HU, CV-02-1359-HU (D.Or. Dec. 19, 2002) (*Markman* ruling). Thus, while ApplyYourself's actions may have been "deficient in terms of the plain language of Rule 51," they "fall[] within the limited exception we have recognized for a pointless formality." *Yoohries-Larson v. Cessna Aircraft Co.*, 241 F.3d 707, 714 (9th Cir.2001). "Where the district court is aware of the party's concerns with an instruction, and further objection would be unavailing, we will not require a futile formal objection." *Gulliford v. Pierce County*, 136 F.3d 1345, 1348 (9th Cir.1998) (citations and quotation marks omitted). Therefore, this court finds ApplyYourself did not waive this argument.

> FN2. This court is aware of the 2003 amendments to Fed.R.Civ.P. 51. However, because the amendments became effective after the trial in this case, the previous version of Fed.R.Civ.P. 51 applies to this appeal.

***1235** [16] Now turning to the merits of ApplyYourself's cross-appeal, this court concludes that the district court gave "automatically" its proper construction. The term is a limitation of all the claims of the '278 patent, and is shown *supra* in representative claim 1. The district court construed "automatically" to mean "*once initiated,* the function is performed by a machine, without the need for manually performing the function." *Markman* ruling, slip op. at 30. ApplyYourself maintains that this construction is wrong. It asserts that "automatically" means a "process that occurs *without human intervention,* such that a human does not have the option to intercede and alter the flow of that process." The district court's construction is supported by the language of the claims, the specification, and the prosecution history; therefore this court affirms the grant of summary judgment.

[17] Claim 1 uses the word "comprising." "The transitional term 'comprising' ... is inclusive or open-ended and does not exclude additional, unrecited elements or method steps." *Georgia-Pacific Corp. v. United States Gypsum Co.*, 195 F.3d 1322, 1327-28 (Fed.Cir.1999). "A drafter uses the term

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'comprising' to mean 'I claim at least what follows and potentially more.' " *Vehicular Techs. Corp. v. Titan Wheel Int'l, Inc.*, 212 F.3d 1377, 1383-84 (Fed.Cir.2000). Thus, consistent with this court's precedent, the district court correctly adopted CollegeNet's inclusive definition and rejected ApplyYourself's preclusive definition. While claim 1 does not expressly provide for human intervention, the use of "comprising" suggests that additional, unrecited elements are not excluded. Such elements could include human actions to expressly initiate the automatic storing or inserting, or to interrupt such functions.

This construction does not read "automatically" out of the claims, as ApplyYourself suggests, because a machine still performs the claimed functions without manual operation, even though a human may initiate or interrupt the process. The district court's automatic dishwasher and auto-pilot examples also support this court's understanding of automatic processes that contemplate human intervention. "[S]imply because a human has to load [an automatic dishwasher] and press the start button, and has the ability to turn it off mid-cycle, does not mean that the device does not 'automatically' wash the dishes." *Markman* ruling, slip. op. at 83. Similarly, "an 'autopilot' which is turned on by a human and necessarily must be able to be interrupted by a human once the automatic process is engaged ... remains an 'automatic' device." *Id.* slip. op. at 83-84. Thus, the claim language supports the district court's interpretation.

In addition, the district court's construction of "automatically" is consistent with one of the problems the invention sought to redress: avoiding the manual re-entering of the same information for every college application a prospective student desires to complete. '278 patent, col. 1, ll. 27-30. The '278 patent solves this problem by inserting common information into subsequent application forms, without the human user re-entering it. Adding a human initiation or interruption element would not alter the invention's solution to this problem.

The prosecution history also supports the district court's construction. The system disclosed in U.S. Patent No. 5,640,577 (issued June 17, 1997) (the Scharmer system or reference) obtains data from a database on a mainframe computer and displays it on a display terminal as a database report. The patent applicants explained:

***1236** Some of the displayed data is saved in memory at the display terminal on which it is displayed, and is then inserted onto a form. Report data to be saved is identified by its coordinates on the display screen, which coordinates had to have been previously programmed into the saving function. An operator can also enter data into a form before the form is saved, but the information typed in by the operator, although saved as part of the form, is *not* saved in a database independent of the form. Consequently, the data is not available from such a database for use on subsequent forms. None of the data manually entered by the operator on one form can be used to automatically fill in subsequent forms. Scharmer teaches a one way flow of data from the database into the forms, and nothing the user does can add to or change the data in the database that is the source of information for completing subsequent forms.

Markman ruling, slip. op. at 92-93. The patent applicants then amended claims 1 and 21 to include the term "automatically." The district court correctly concluded that the patent applicants' prosecution-related comments supported its interpretation of "automatically." *Markman* ruling, slip. op. at 98. The addition of "automatically" to the claim language did not prohibit human interaction; it merely decreased the need for the user to insert information into a form. In addition, the distinction over Scharmer was not that the applicants' invention eliminated the requirement of manual input of data into a form. Rather, the distinction was thatinstead of a one-way flow of information from a database where a machine inputs information which has previously been stored in the database by some other process, into a form, the claimed invention allows a two-way flow of information in that the user, by filling out and saving an application form, enters data into the database which can then be accessed by the forms engine to allow the forms engine to input that data into a second form.

Id. Thus, the forms engine "automatically", *i.e.*, without human intervention, extracts data from the database and inserts that information into the second form. The patent applicants distinguished the Lextron reference on similar grounds. Therefore, because the district court's claim construction of "automatically" was correct, the district court's grant of summary judgment of infringement was proper.

E.

[18] ApplyYourself also challenges the district

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court's refusal to grant a new trial on the jury's finding of infringement as to various dependent claims of the '278 patent. However, having affirmed the district court's grant of summary judgment of infringement of claims 1, 9, 10 and 21 of the '278 patent, there is no reason for this court to reach this argument. After all, infringement of even a single claim entitles a patentee to damages. Therefore, even if the district court had concluded that the infringement verdicts on claims 6-8 and 27 of the '278 patent were against the clear weight of the evidence, the damages awarded on the '278 patent would still stand.

III.

In conclusion, because the district court misconstrued the phrase "in a format specified by the institution" in the '042 patent, this court reverses the grant of JMOL and reinstates the jury verdict of infringement. This court also holds that the district court correctly dismissed without prejudice ApplyYourself's counterclaim and affirmative defenses that the '042 patent was invalid. ***1237** In addition, this court holds the district court correctly construed the '278 patent's "automatic" limitation and correctly denied ApplyYourself's motion for a new trial on the claims relating to the '278 patent's "in a format specified by the institution" limitation.

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART, REVERSED-IN-PART.

C.A.Fed. (Or.),2005.
CollegeNet, Inc. v. ApplyYourself, Inc.
418 F.3d 1225, 75 U.S.P.Q.2d 1733

Briefs and Other Related Documents (Back to top)

- 2004 WL 4976878 (Appellate Brief) Reply Brief of Defendant-Cross Appellant ApplyYourself, Inc. (Jul. 16, 2004) Original Image of this Document (PDF)
- 2004 WL 4976877 (Appellate Brief) Reply Brief of Plaintiff-Appellant Collegenet, Inc. (Jun. 24, 2004) Original Image of this Document (PDF)
- 2004 WL 4976876 (Appellate Brief) Brief of Defendant-Cross Appellant ApplyYourself, Inc. (May 17, 2004) Original Image of this Document with Appendix (PDF)
- 2004 WL 4976875 (Appellate Brief) Brief of Plaintiff-Appellant Collegenet, Inc. (Apr. 2, 2004) Original Image of this Document with Appendix (PDF)
- 04-1251 (Docket) (Mar. 02, 2004)
- 04-1222 (Docket) (Feb. 10, 2004)
- 04-1202 (Docket) (Jan. 28, 2004)

END OF DOCUMENT

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ATTACHMENT F

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

Briefs and Other Related Documents

United States Court of Appeals,Federal Circuit.
MERCEXCHANGE, L.L.C., Plaintiff-Cross Appellant,
v.
eBAY, INC. and Half.Com, Inc., Defendants-Appellants.
Nos. 03-1600, 03-1616.

March 16, 2005.
Rehearing and Rehearing En Banc Denied April 26, 2005.

Background: Owner of patents for method of conducting on-line sales sued auction website operators for infringement. The United States District Court for the Eastern District of Virginia, Jerome B. Friedman, J., 275 F.Supp.2d 695, found that one patent was invalid but that other two were infringed. Cross-appeals were taken.

Holdings: The Court of Appeals, Bryson, Circuit Judge, held that:

4(1) evidence supported finding that first patent was infringed;

10(2) evidence did not support finding that auction site operator induced product seller's infringement of first patent;

12(3) second patent was invalid as anticipated;

14(4) fact issue existed as to whether third patent was invalid; and

19(5) denial of permanent injunction was abuse of discretion.

Affirmed in part, reversed in part, vacated in part, and remanded.

See also 271 F.Supp.2d 789.

West Headnotes

[1] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
"Transaction processor," claimed in patent for method of conducting on-line sales, did not require transference of ownership of purchased good by conveyance of title; unlike prior claim which clearly called for transfer of ownership, instant claim made no reference to transfer.

[2] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
"Transfer of ownership" step, called for in patent for method of conducting on-line sales, required only modification of ownership entry in data record of good to reflect that purchasing participant was new owner of good; transfer of legal title pursuant to Uniform Commercial Code (UCC) was not required.

[3] Patents 291 314(6)

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k314 Hearing
291k314(6) k. Findings and Determination. Most Cited Cases
District court's *Markman* order is explanation to parties of reasoning behind its patent claim construction; court's analysis need not also be included in its jury instructions.

[4] Patents 291 312(5)

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k312 Evidence
291k312(3) Weight and Sufficiency
291k312(5) k. Particular Patents.

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Most Cited Cases
Evidence supported finding that online auction system infringed patent for method of conducting online sales; system transferred ownership of purchased goods through modification of data records to reflect fact that payment had been made, as called for in patent.

[5] Patents 291 312(6)

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k312 Evidence
291k312(3) Weight and Sufficiency
291k312(6) k. Particular Matters, Sufficiency as To. Most Cited Cases
Evidence supported finding that online auction system was "trusted," within meaning of patent for method of conducting online sales; system provided escrow services, conflict resolution services, insurance, payment intermediaries, authentication services, feedback forum, and policing of system.

[6] Patents 291 324.1

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k324 Appeal
291k324.1 k. In General. Most Cited Cases
Fact that defendant's patent invalidity arguments at trial were based solely on obviousness did not constitute waiver of right to make invalidity argument on appeal based on anticipation; anticipation was form of obviousness. 35 U.S.C.A. § § 102, 103.

[7] Patents 291 66(1.24)

291 Patents
291II Patentability
291II(D) Anticipation
291k63 Prior Patents
291k66 Operation and Effect
291k66(1.24) k. Process, Method, and Apparatus Claims in General. Most Cited Cases
Patent for method of conducting online sales was not anticipated by prior art patent which did not call for receipt of electronic payments, for post-sale modification of data records, or for nondealer-specific identification codes. 35 U.S.C.A. § 102.

[8] Patents 291 16.14

291 Patents
291II Patentability
291II(A) Invention; Obviousness
291k16.14 k. Miscellaneous Inventions. Most Cited Cases
Patent for method of conducting online sales was not invalid as obvious in light of prior art patent; prior patent called for different type of user identification codes, and evidence that person of skill in the art would not have been motivated to change code types. 35 U.S.C.A. § 103.

[9] Patents 291 259(1)

291 Patents
291XII Infringement
291XII(A) What Constitutes Infringement
291k259 Contributory Infringement; Inducement
291k259(1) k. In General. Most Cited Cases
To prove intent element of claim for inducement of patent infringement, there must be evidence that alleged inducer had knowledge of infringing acts. 35 U.S.C.A. § 271(b).

[10] Patents 291 312(8)

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k312 Evidence
291k312(3) Weight and Sufficiency
291k312(8) k. Participation, Intent, and Contributory Infringement. Most Cited Cases
Evidence did not support finding that operator of website for online auctions induced seller's infringement of patent for method of presenting data records of goods for sale; though operator had financial interest in seller and encouraged it to post goods for sale on website, there was no evidence that operator knew of or induced seller's use of patented method. 35 U.S.C.A. § 271(b).

[11] Patents 291 101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
"Electronic markets" to be searched, in patent for

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method of locating goods online, were trusted networks or systems where participants could buy, sell, search, or browse goods online; searched places did not have to be able to perform all four functions in order to constitute relevant "markets."

[12] Patents 291 ⚷70

291 Patents
291II Patentability
291II(D) Anticipation
291k67 Prior Description in Printed Publication
291k70 k. Operation and Effect. Most Cited Cases
Patent for method of searching multiple electronic markets in order to locate goods online was invalid as anticipated by prior art article for searching multiple online catalogs; article disclosed each claimed limitation and was enabling. 35 U.S.C.A. § 102.

[13] Patents 291 ⚷101(3)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(3) k. Limitations in General. Most Cited Cases
Requirement in patent for method of locating goods online, that "electronic markets" and "market apparatus" be used, did not exclude person-to-person systems.

[14] Patents 291 ⚷323.2(3)

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k323 Final Judgment or Decree
291k323.2 Summary Judgment
291k323.2(3) k. Particular Cases. Most Cited Cases
Issue of material fact as to whether "debiting seller's account" limitation in patent for method of conducting on-line auctions was adequately supported by written description precluded summary judgment of invalidity. 35 U.S.C.A. § 112, par. 1.

[15] Federal Courts 170B ⚷932.1

170B Federal Courts
170BVIII Courts of Appeals
170BVIII(L) Determination and Disposition of Cause
170Bk932 Reversal or Vacation of Judgment in General
170Bk932.1 k. In General. Most Cited Cases

Federal Courts 170B ⚷943.1

170B Federal Courts
170BVIII Courts of Appeals
170BVIII(L) Determination and Disposition of Cause
170Bk943 Ordering New Trial or Other Proceeding
170Bk943.1 k. In General. Most Cited Cases
Appellate court, when vacating judgment and remanding, has jurisdiction to address issues that might arise on remand. 28 U.S.C.A. § 2106.

[16] Patents 291 ⚷101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
"Auction," referred to in patent for method of conducting on-line auctions, was process over trusted network, or with trusted intermediary.

[17] Patents 291 ⚷101(2)

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(2) k. Construction in General. Most Cited Cases
"Seller's account," called for in patent for method of conducting on-line auctions, had to be based at least on seller's identity and financial instrument associated with seller; claim's use of comma to separate call for account from list of its requirements did not make requirements merely optional.

[18] Patents 291 ⚷165(4)

291 Patents
291IX Construction and Operation of Letters Patent
291IX(B) Limitation of Claims
291k165 Operation and Effect of Claims in General
291k165(4) k. Reading Limitations or Elements Into Claims, or Disregarding Limitations or

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Elements. Most Cited Cases
Use of term "automated process" in preamble to patent claim for method of conducting on-line auctions did not mean that all steps in claim had to be performed automatically.

[19] Patents 291 317

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k317 k. Permanent Injunction. Most Cited Cases
Mere fact that patent was business-method patent did not justify denial of permanent injunction following determination of validity and infringement.

[20] Patents 291 317

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k317 k. Permanent Injunction. Most Cited Cases
Court's concern about likelihood of continuing disputes over whether patent infringer's subsequent design-around attempts also infringed patent did not justify denial of permanent injunction following determination of validity and infringement.

[21] Patents 291 317

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k317 k. Permanent Injunction. Most Cited Cases
Prevailing patent infringement plaintiff's statements regarding its willingness to license patents did not justify denial of permanent injunction.

[22] Patents 291 317

291 Patents
291XII Infringement
291XII(C) Suits in Equity
291k317 k. Permanent Injunction. Most Cited Cases
Patent infringement plaintiff's failure to move for preliminary injunction did not justify denial of permanent injunction following determination of validity and infringement.

Patents 291 328(2)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original Utility. Most Cited Cases
5,664,111. Cited as Prior Art.

Patents 291 328(2)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original Utility. Most Cited Cases
5,845,265. Valid and Infringed.

Patents 291 328(2)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original Utility. Most Cited Cases
6,085,176. Invalid.

Patents 291 328(2)

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original Utility. Most Cited Cases
6,202,051. Cited.

***1325** Scott L. Robertson, Hunton & Williams LLP, of Washington, DC, argued for plaintiff-cross appellant. With him on the brief were Jennifer A. Albert and Brian M. Buroker. Also on the brief were Gregory N. Stillman, of Norfolk, Virginia, and David M. Young, of McLean, Virginia.
Jeffrey G. Randall, Skadden, Arps, Slate, Meagher & Flom LLP, of Palo Alto, California, and Donald R. Dunner, Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P., of Washington, DC, argued for defendants-appellants. On the brief were Timothy S. Teter and Lori Ploeger, Cooley Godward LLP, of Palo Alto, California. Also on the brief was Allan M. Soobert, Skadden, Arps, Slate, Meagher & Flom

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LLP, of Washington, DC.

Before MICHEL,[FN*] Chief Judge, CLEVENGER, and BRYSON, Circuit Judges.

FN* Paul R. Michel assumed the position of Chief Judge on December 25, 2004.

BRYSON, Circuit Judge.

MercExchange, L.L.C., is the assignee of three patents, U.S. Patent Nos. 5,845,265 ("the '265 patent"), 6,085,176 ("the '176 patent"), and 6,202,051 ("the '051 patent"). MercExchange filed suit against eBay, Inc.; Half.com, Inc.; and ReturnBuy, Inc., in the United States District Court for the Eastern District of Virginia, alleging willful infringement of the '265 patent by all three defendants, willful infringement of the '176 patent by eBay and Half.com, and willful infringement of the '051 patent by eBay.

eBay owns and operates a website on the Internet that allows buyers and sellers to search for goods and to purchase them by participating in live auctions or by buying them at a fixed price. At issue in this case is the fixed-price purchasing feature of eBay's website, which allows customers to purchase items that are listed on eBay's website for a fixed, listed price. Half.com, a wholly owned subsidiary of eBay, owns and operates an Internet website that allows users to search for goods posted on other Internet websites and to purchase those goods. At the time this action was brought, ReturnBuy owned and operated an Internet website that was hosted by the ***1326** eBay website. Customers interested in purchasing goods from ReturnBuy would be directed from the ReturnBuy website to the eBay website, where items available for sale by ReturnBuy were displayed in an eBay listing.

Prior to trial, ReturnBuy filed for bankruptcy and entered into a settlement agreement with MercExchange. On motions for summary judgment by the other defendants, the district court granted in part and denied in part the motions for summary judgment that the claims of the '051 patent were invalid for an inadequate written description. The remainder of the case went to trial before a jury. At the conclusion of the trial, the jury found that eBay had willfully infringed claims 8, 10-11, 13-15, 17-18, 20-22, and 26 of the '265 patent and had induced ReturnBuy to infringe claims 1, 4, 7, and 23 of the '265 patent; that Half.com had willfully infringed claims 8, 10, 11, 13, 15, 17-18, 20, 22, and 26-29 of the '265 patent and claims 1, 5-6, 29, 31-32, and 34-39 of the '176 patent; and that neither the '265 patent nor the '176 patent was invalid. With respect to damages, the jury found eBay liable for $ 10.5 million for infringing the '265 patent and $ 5.5 million for inducing ReturnBuy to infringe the '265 patent. The jury also held Half.com liable for $ 19 million for infringing the '176 patent and the '265 patent.

Following the verdict, eBay and Half.com moved for judgment as a matter of law ("JMOL") that the asserted claims of the '265 patent were not infringed and were invalid. In the alternative, eBay and Half.com moved for a new trial on the '265 patent. Half.com moved for JMOL that the asserted claims of the '176 patent were not infringed and were invalid. In the alternative, Half.com moved for a new trial on the '176 patent. In addition, eBay moved to set aside the $5.5 million award for inducing ReturnBuy to infringe the '265 patent. The district court denied the defendants' motions regarding infringement and validity, but granted eBay's motion to set aside the damages award for inducement of infringement. The court also denied MercExchange's motion for a permanent injunction, for enhanced damages, and for attorney fees.

The defendants appeal the denial of their motions for JMOL and for a new trial on the '265 and '176 patents. Because substantial evidence supports the jury's verdict regarding infringement and validity of the '265 patent, we affirm those aspects of the judgment. Because there is no substantial evidence to support the jury's verdict that eBay induced ReturnBuy to infringe the '265 patent, we reverse that aspect of the judgment. We also hold that the claims of the '176 patent are invalid for anticipation, and we therefore reverse the judgment in that regard and direct entry of judgment for Half.com on the '176 patent.

MercExchange cross-appeals, seeking reversal of the summary judgment of invalidity of the '051 patent and reversal of the district court's denial of a permanent injunction, enhanced damages, and attorney fees. MercExchange also cross-appeals the district court's order vacating the award of damages for inducement of infringement. Because the district court resolved a dispute of material fact on summary judgment and improperly denied a permanent injunction, we reverse the denial of the permanent injunction, vacate the summary judgment order, and remand for further proceedings. However, we hold that the district court did not abuse its discretion in denying enhanced damages and attorney fees.

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I

A

We turn first to the district court's denial of the defendants' motion for JMOL of ***1327** noninfringement with respect to the '265 patent. The '265 patent pertains to a system for selling goods through an "electronic network of consignment stores." '265 patent, col. 1, line 8. To participate in the electronic network, a consignment store must obtain a "consignment node," which uses a computer to upload and save digital images and written information about goods to be sold over the network. A prospective buyer can electronically browse and search for goods stored in the databases of consignment nodes in the electronic network. After browsing and searching, the prospective buyer can purchase any good listed on the electronic network. Upon purchasing the good, the buyer can decide either to have the good shipped or to resell the good to another buyer over the electronic network. The patent refers to the decision to buy and resell as "speculating," because the system does not require the buyer to take possession of the good before reselling it and thereby allows the buyer to resell at a price that does not take into consideration the delays and costs associated with delivery.

The asserted claims each include a "transaction processor" that is used to complete the financial transaction accompanying the sale of a good. The transaction processor limitation of claim 8 reads as follows:
a transaction processor operably connected to said wide area communication network and said storage device, said transaction processor adapted to receive a purchase request and payment means from said participant, clear said purchase request and payment means and if said payment means clears then transfer the ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant.

The defendants contend that the district court erred in denying their motion for a JMOL of noninfringement because there was no substantial evidence from which a reasonable jury could conclude that eBay's system "transfer[red] the ownership" of a good for sale, as required by the transaction processor limitation.

[1] As an initial matter, the defendants' arguments do not apply to claim 26 and dependent claims 27-29. The transaction processor limitation of claim 26 reads as follows:
a transaction processor operably connected to said wide area communication network and said storage device, said transaction processor adapted to receive a purchase request and electronic payment from said participant, transfer said purchase request to said posting terminal, and verify electronic payment information from said participant and if said electronic payment verifies then notify owner of said good for sale by modifying said data record indexed to said data record for sale to reflect said purchase request of said good for sale by said participant.

This claim language differs from the language of claim 8 in a significant way. While the transaction processor portion of claim 8 culminates in a step requiring the transaction processor to "transfer the ownership of said good for sale," the transaction processor portion of claim 26 culminates in a step requiring the transaction processor to "notify [the] owner of said good for sale" Claim 26 nowhere requires transfer of ownership of a good and does not even contain the term "ownership" or the term "transfer." The defendants argue that the transaction processor of claim 26 must be construed as limited to a transaction processor that transfers ownership by conveyance of title, but nothing in claim 26 supports that argument, and ***1328** we reject it. Accordingly, we hold that the district court did not err in denying defendants' motion for JMOL with regard to noninfringement of claims 26-29. The remainder of our analysis is focused on the construction of claim 8 and its related claims.

[2] In its instructions to the jury, the district court provided the following interpretation of the "transfer the ownership" limitation:
If the payment made by a participant for a good for sale clears, then the legal ownership is transferred by modifying the ownership entry in the data record of the good to reflect that the purchasing participant is the new owner of the good.

The defendants do not challenge the accuracy of that instruction, but they assert that the district court erred by failing to give two additional instructions. First, they contend that because the transaction processor limitation transfers the ownership of a "good for sale," the transaction processor must be capable of transferring legal title, and that the district court should have instructed the jury on the requirements for title transfer under the Uniform Commercial Code

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("UCC"). Second, they contend that the district court failed to include in its jury instructions a statement from the court's pretrial claim construction order (the "*Markman* order") that transfer of ownership is "not limited to merely modifying the record-legal ownership must be transferred." The defendants argue that without that statement the jury was not informed of the requirement that legal title to the good must pass to the purchaser.

In its post-trial order, the district court addressed and rejected both of those arguments. The court ruled that the defendants were not entitled to an instruction on title transfer under the UCC, because the transfer of ownership limitation did not require the transfer of legal title pursuant to the UCC. With respect to the statements from the court's *Markman* order, the court stated that it had already provided the jury with a sufficient claim construction and was under no obligation to include additional language that it used in its claim construction opinion.

We uphold the district court's interpretation of the transfer of ownership limitation and its decision not to provide the jury with additional instructions regarding that limitation. The district court's interpretation is consistent with the language of the claims and the specification of the '265 patent. Claim 8 states that a transaction processor accomplishes the "transfer [of] ownership of said good for sale by modifying said data record of said good for sale to reflect the new ownership of said good for sale by said participant." '265 patent, col. 21, ll. 51-54. The specification contains similar language, stating that the consignment node "transfers legal ownership of the good by changing the ownership entry in the data record in the consignment node of the good." *Id.*, col. 12, ll. 46-48.

The claim and specification do not suggest that the modification of a data record in isolation is sufficient to transfer ownership under the patent. Rather, the specification makes clear that the modification of the data record reflects that a buyer has paid for the good and that it is the payment for the good, accompanied by the data record modification, that accomplishes the transfer of legal ownership. '265 patent, col. 19, ll. 11-13.

It is also important to understand that the patented system accomplishes a transfer of ownership in the context of a "trusted network," in which the owner of the patented system "may police the network to give quality control, detect fraud and revoke the users," *id.*, col. 4, ll. 56-57, so ***1329** that the network maintains a certain "quality and performance structure," *id.*, col. 4, line 60, to guarantee payment and delivery of the good. The specification indicates that the "trusted network" of the invention is part of what allows ownership to pass upon modification of the data record. In light of the specification, we agree with the district court that within the context of the patent, transferring legal ownership is accomplished once the data record is modified.

The defendants argue that the modification of the data record by itself is not sufficient to transfer ownership, but rather that a "legal predicate" such as the UCC must be satisfied in order for the modification of the data record to have the effect of transferring ownership. In so arguing, the defendants rely on the use of the term "legal title" in the specification. The use of that term, however, does not mean that transfer of ownership must be equated with a formal transfer of title. Rather, the specification treats the term "legal title" as synonymous with the general concept of "ownership" as used in the patent. *See, e.g.*, '265 patent, col. 19, ll. 11-13 ("[W]hen a bona fide purchase price is tendered by a participant ... or another retailer ... the legal title to a good as represented by the record will transfer to the buyer with an immediate or nearly immediate finality to the transaction."). The use of the term "legal title" in the specification therefore does not add any legal requirements to the transfer of ownership referred to in the claims, and does not negate the statements in the specification and in the claim language that the transfer of ownership is accomplished upon the modification of the data and the clearing of payment in a trusted network.

[3] We also agree with the district court that it was not necessary for the court to include excerpts from its *Markman* order in the jury instructions. A district court's *Markman* order is an explanation to the parties of the reasoning behind its claim construction. The court's analysis need not be part of the jury instructions. The defendants focus on the district court's statement in its *Markman* order that transfer of ownership is "not limited to merely modifying the record-legal ownership must be transferred," and they assert that the court's failure to convey the substance of that statement prejudiced them because it left room for MercExchange to assert in its closing argument that "[t]here is no requirement that legal title in that formal sense be transferred." The claims, however, do not require that title be transferred pursuant to any particular steps or legal formalities, and the district court's statement in its *Markman* order does not say

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so. It was therefore not error for the court to omit the requested instruction.

[4][5] In light of the district court's claim construction, we find that MercExchange introduced sufficient evidence to permit the jury to find that eBay's system infringed the '265 patent. MercExchange's expert, Dr. Alfred Weaver, testified that "eBay has to transfer ownership by modifying the data record." He also made clear that the modification of the data record reflected the fact that payment had been made, as he stated that "when [] payment comes through, [eBay and Half.com] are authorized to transfer ownership by modifying [the] data record." Moreover, while eBay asserts that its system is not "trusted," we agree with the district court's statement in its post-trial order that there was substantial evidence from which the jury could find that eBay's system was trusted, given the evidence in the record that the system provided "escrow services, conflict resolution services, insurance, payment intermediaries, authentication***1330** services, feedback forum, and the policing of the system." We therefore affirm the district court's denial of the defendants' motion for JMOL of noninfringement of the '265 patent.

B

In reviewing the defendants' motion to invalidate the '265 patent as a matter of law, the district court focused exclusively on obviousness and found that MercExchange "did indeed attack the merits of the defendants' prior art references and the failure of the defendants' witnesses to show how the prior art invalidated each of the claims of the '265 patent, despite the fact that the defendants argue otherwise." On appeal, the defendants argue that a reasonable jury would necessarily have found the asserted claims to be invalid because they are anticipated or rendered obvious by a prior art reference, U.S. Patent No. 5,664,111 ("the '111 patent"). The '111 patent pertains to a system for art dealers to sell artwork by using a network of computers. The system enables users to store and retrieve images and data pertaining to the artwork and to purchase artwork corresponding to the images.

[6] As an initial matter, MercExchange argues that because the defendants' invalidity arguments were based solely on obviousness, they have waived their right to make an invalidity argument on appeal based on anticipation. We disagree. Because "anticipation is the epitome of obviousness," *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed.Cir.1983), the defendants' obviousness arguments preserved their right to argue invalidity based on anticipation, *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1357 n. 21 (Fed.Cir.1998).

[7] On the merits, the defendants argue that the '111 patent anticipates all of the asserted claims of the '265 patent and that MercExchange's expert, Dr. Weaver, failed to distinguish the system of the '111 patent from the system of the '265 patent. First, they assert that Dr. Weaver conceded on cross-examination that the '111 patent discloses the same transaction processor that is claimed in the '265 patent, because he admitted that the Patent and Trademark Office ("PTO") found that the '111 patent discloses a transaction processor and he did not contest the PTO's finding on that issue. However, while Dr. Weaver agreed that the PTO "would understand that [the '111 patent] discloses, among other things, transferring an ownership interest in an item," that testimony does not contradict his testimony that nothing in the '111 patent described a modification of the data record subsequent to payment verification. Thus, Dr. Weaver did not concede that the '111 patent disclosed the same transaction processor that is claimed in the '265 patent.

The defendants fail to address another distinction regarding the transaction processor limitation. In the '265 patent, a transaction processor is designed to receive payments by "entering a credit card number and expiration date or other forms of electronic payment." '265 patent, col. 5, ll. 6-8. The system claimed by the '111 patent, however, does not receive payments electronically. Rather, the system "requests that the buying dealer wire transfer funds to pay for the purchased work." '111 patent, col. 14, ll. 62-64. Instead of being able to complete a transaction on the electronic network, a buyer using the invention of the '111 patent must temporarily leave the system to make a payment before the transaction can be completed.

The defendants also contend that Dr. Weaver failed to distinguish the '265 patent from the '111 patent with regard to the posting terminal apparatus limitation and ***1331** in particular the use of an identification code to prevent certain dealers from logging on to the system. The defendants argue that Dr. Weaver conceded that the '111 patent discloses the same identification code as the '265 patent. They cite Dr. Weaver's testimony on cross-examination, in which he stated that the system claimed by the '111

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patent "used the terminal identification code to limit the access of certain dealers to certain pieces of art." Dr. Weaver stated on redirect examination, however, that the identification code used in the '111 system is not the same as the identification code used for terminal authorization in the posting terminal apparatus claimed in the '265 patent: "All that's happening in [the '111 patent] is that a person is identifying himself with a code. And in my mind that's not at all consistent with the way the Court defined the posting terminal apparatus code," i.e., as a code that "identifies the hardware and/or software of the posting terminal apparatus." From that testimony, a reasonable jury could infer that while the identification code in the '111 patent is directed to preventing access by a specific dealer, the identification code in the '265 patent is not dealer-specific, but serves instead to screen out terminal apparatuses that lack particular technical requirements. The evidence thus provided a sufficient basis for the jury to conclude that the '111 patent did not anticipate the asserted claims of the '265 patent.

[8] We also reject the defendants' argument that the '111 patent renders the asserted claims of the '265 patent obvious. Dr. Weaver testified that the patented invention differs from the '111 patent in both structure and method and that a person of ordinary skill in the art would not be motivated to modify the system covered by the '111 patent to create the system claimed in the '265 patent. For example, with regard to the posting terminal apparatus of the '265 patent, Dr. Weaver testified that one of ordinary skill in the art would not be motivated "to change or modify the dealer ID code in [the '111 patent system] to conform to the user ID protocols of the '265 patent's posting terminal apparatus," as the two are "dramatically different operations" that are used for different purposes. In light of Dr. Weaver's testimony, we agree with the district court that there was substantial evidence to support the jury's finding of nonobviousness.

C

The defendants contend that they are entitled to JMOL on the theory that eBay was not shown to have induced ReturnBuy to infringe four of the claims of the '265 patent. Claim 1 is representative of three of the asserted claims-claims 1, 4, and 7. It provides:

1. A system for presenting a data record of a good for sale to a market for goods, said market for goods having an interface to a wide area communication network for presenting and offering goods for sale to a purchaser, a payment clearing means for processing a purchase request from said purchaser, a database means for storing and tracking said data record of said good for sale, a communications means for communicating with said system to accept said data record of said good and a payment means for transferring funds to a user of said system, said system comprising:
a digital image means for creating a digital image of a good for sale;
a user interface for receiving textual information from a user;
a bar code scanner;
a bar code printer;
a storage device;
a communications means for communicating with the market; and
***1332** a computer locally connected to said digital image means, said user interface, said bar code scanner, said bar code printer, said storage device digital image of said good for sale from said digital image means, generate a data record of said good for sale, incorporate said digital image of said good for sale into said data record, receive a textual description of said good for sale from said user interface, store said data record on said storage device, transfer said data record to the market for goods via said communications means and receive a tracking number for said good for sale from the market for goods via said communications means, store said tracking number from the market for goods in said data record on said storage device and printing a bar code from said tracking number on said bar code printer.

The only other asserted claim, claim 23, differs from claim 1 in that claim 23 recites a "digital camera for creating an image," instead of a "digital image means for creating a digital image," and it recites a "printer for printing said digital image of said good for sale."

[9] According to 35 U.S.C. § 271(b), "whoever actively induces infringement of a patent shall be liable as an infringer." We have construed that statute to require proof of intent, although there is a "lack of clarity concerning whether the required intent must be merely to induce the specific acts [of infringement] or additionally to cause an infringement." *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1378 (Fed.Cir.2004), citing *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed.Cir.1990), and *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed.Cir.1990).

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Nevertheless, a patentee must be able to demonstrate at least that the alleged inducer had knowledge of the infringing acts in order to demonstrate either level of intent.

[10] MercExchange asserts that the evidence was sufficient for the jury to find that eBay had induced infringement based on the testimony of ReturnBuy's former CEO and its former CTO. MercExchange points to testimony that eBay had invested $2 million in ReturnBuy and had an "observer" on ReturnBuy's board of directors; that eBay granted ReturnBuy the right to post goods in volume on the eBay system; that eBay was the "primary venue" for ReturnBuy's sales; and that eBay supplied engineers to work with ReturnBuy to facilitate the posting of goods for sale through eBay. That evidence, however, does not establish that eBay induced ReturnBuy to infringe the asserted claims.

First, the testimony regarding eBay's investment in ReturnBuy's business and its presence on ReturnBuy's board of directors does not demonstrate an intent to induce infringement, or even show that eBay had knowledge of any acts of infringement by ReturnBuy. Rather, investment and board presence merely indicate that there was a business relationship between the two companies and that eBay had a financial interest in ReturnBuy's business.

Other testimony presented by ReturnBuy's CEO and its CTO demonstrates, at best, that eBay encouraged ReturnBuy to post goods for sale on eBay's website. Posting goods for sale, however, is relevant to only one limitation of the claims, i.e., "a communications means for communicating with the market." There is no testimony or other record evidence that eBay intended to induce ReturnBuy to incorporate the other limitations of the asserted claims. For example, claim 1 requires the use of a bar code scanner and a bar code printer. The specification explains and the record shows that the bar ***1333** code scanner and printer are used for tracking goods. There is nothing in the record to show that eBay had any intention to induce ReturnBuy to use bar code scanners and printers to keep track of its inventory.

Likewise, claim 23 contains limitations requiring the use of a digital camera and printer, but there is nothing in the record to demonstrate that eBay intended to induce ReturnBuy to use those devices to create the digital image used for posting. While eBay required ReturnBuy to provide a digital image and an accompanying data record for the goods that ReturnBuy wanted to sell on its website, nothing in the record shows that eBay induced ReturnBuy to use a digital camera or a printer to create either the digital image or the accompanying data record, since digital images may be created by other means, such as by scanning developed photographs. Therefore, the evidence is insufficient to demonstrate that eBay intended to induce ReturnBuy to infringe claim 23.

Accordingly, we reverse the portion of the judgment holding eBay liable for inducing ReturnBuy to infringe the '265 patent. In light of our disposition of that issue, it is unnecessary for us to address MercExchange's argument that the district court erred when it vacated the jury's award of damages on the inducement claim as duplicative.

II

We turn next to issues pertaining to the '176 patent. Each of the asserted claims of the '176 patent recites a method for searching "a plurality of electronic markets" to locate an item. That method uses a network of computers to accomplish each search. One computer receives and processes a search request from a participant and transmits that request to other computers through a software search agent. After search results are obtained, they are sent back to the participant's computer.

Following trial, the district court denied Half.com's motion for JMOL that the '176 patent was not infringed and is invalid. We reverse that ruling. Because we base our reversal on invalidity, we need not reach the issue of infringement.

A

[11] Half.com's invalidity argument turns on the construction of the claim term "electronic market." At trial, the district court instructed the jury that the term electronic market means a "trusted network or system where participants can buy, sell, search or browse goods online." Half.com asserts that the district court's construction of electronic market requires that each of the searched websites be capable of performing four functions: buying, selling, searching, and browsing. As the basis for its interpretation of the district court's construction of that term, Half.com relies heavily on the use of the word "and" to connect the four functions in a statement from the district court's *Markman* order, in which the court said, "Based on the inventor's clear intent to allow users to buy, sell, search and browse

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for items in the electronic market, the court finds that the completion of a transaction between buyer and seller is not required."

In its post-trial order, the district court rejected Half.com's interpretation of the court's claim construction. The court stated that "[t]here was nothing in [the] claim construction that required the electronic market to do all four functions cited."

We agree with the district court that the patent does not require the electronic market to perform all four functions. The '176 patent is designed in part to provide a system that allows participants to speculate, i.e., to buy an item and then promptly ***1334** sell it at a higher price. That is the purpose to which Half.com alludes in contending that the patent requires the electronic market to be able to handle not only buying but also selling. The specification makes clear, however, that speculation is not the only use for the system, and that there are other purposes for the system in the context of "the two-tiered market of dealer-to-dealer and retail markets. " '176 patent, col. 16, II. 28-29. One of the main purposes of the patented system is to create a double-tiered market for goods, "where the first tier is a retail price and the second tier is a wholesale or dealer to dealer price [,] and an authorized dealer has pre-approved access to the dealer-to-dealer price and may charge and display the retail price to a local store customer." *Id.*, col. 1, II. 49-51. The specification provides that "[t]he price and reserve price fields may be used to structure the two-tiered market of dealer-to-dealer and retail markets." *Id.*, col. 16, II. 27-29. It further provides that "[a] dealer may be provided with special logon identifications and passwords to view the reserve price ... and reserve price indicator" that is not accessible to retail purchasers. *Id.*, col. 16, II. 31-33. However, if a retail dealer purchases an item, he may choose to sell to other retail dealers or to retail customers. In that situation, the retail dealer may enter a retail price and a wholesale price into the system. *Id.*, col. 16, II. 40-41. The retail price may then be displayed to the retail customer. *Id.*, col. 16, II. 41-42.

Importantly, when a retail customer decides to participate in the system, the retail customer, after browsing and searching, has only the option of purchasing goods. The customer is not allowed to sell goods to the retail dealer. That is, while dealers are able to act as participants in the dealer-to-dealer market by buying from and selling to other dealers, customers in the retailer-to-customer market are not allowed the same freedom. The description of the retail-to-retail market discloses two types of electronic markets-those in which a participant can buy, browse, and search, and those in which a participant can sell, browse, and search. The description of the use of the invention for speculation discloses a third type of electronic market-one in which a participant can buy and sell as well as browse and search. Accordingly, we agree with the district court's definition of electronic markets as markets in which the participants, in addition to browsing and searching, may either buy or sell or do both.

B

[12] At trial, Half.com argued that the district court should enter a JMOL of invalidity because there was clear and convincing evidence that the asserted claims were rendered obvious in view of expert testimony and several publications, including an article by Arthur Keller. The district court rejected Half.com's argument, stating that "[w]hen the evidence on invalidity is viewed in the light most favorable to the plaintiff, the court cannot find that there was a complete absence of evidence supporting the verdict that the jury's findings could only be the result of sheer surmise and conjecture."

On appeal, Half.com again contends that the asserted claims of the '176 patent were anticipated or obvious in light of the prior art. In response, MercExchange first asserts that Half.com waived its right to make any argument on appeal based on anticipation because it failed to do so at trial. As we noted earlier, however, making an invalidity argument based on obviousness preserves the right to argue anticipation on appeal. Because Half.com argued invalidity based on obviousness at trial, it has preserved its right to make an argument regarding anticipation on appeal.

***1335** On the merits, we agree with Half.com that no reasonable jury could have found the asserted claims of the '176 patent to be valid. The Keller article discloses each of the limitations of the asserted claims, and the article is enabling. The article describes a system to conduct a "cross-search of multiple catalogs" by using a network of computers hosting online catalogs. The article recognizes the problem of an online buyer's having to search multiple online catalogs, and it solves that problem by presenting a system for searching multiple online catalogs using search agents.

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In addition to disclosing each of the limitations of the asserted claims, the Keller article enables a person of ordinary skill to practice its system by disclosing the communication language of the search agents, i.e., KQML and KIF ontologies. It also provides a flow chart that describes how the system operates, including how the user interfaces with the system, i.e., by using HTML/HTTP protocols, and how a search agent retrieves product data, i.e., by using SQL. Contrary to MercExchange's assertion, the Keller article that describes how to make the system is not a mere laundry list of factors.

MercExchange argues that the Keller article fails to disclose all the limitations of the '176 patent because it fails to disclose a method for searching "electronic markets" but instead searches for "catalogs." MercExchange asserts that, unlike the electronic market claimed in the '176 patent, a catalog guarantees a participant the right to browse and search, but does not guarantee the ability either to buy or to sell a particular good. However, the Keller article clearly describes a system that searches catalogs that are serviced by what the article calls "vendors," who offer products for sale. Accordingly, the Keller article contemplates a system in which a participant is able to search, browse, and buy. Because a participant is able to buy goods in the market, that is sufficient to satisfy the "buy or sell" requirement of the asserted claims. In sum, we conclude that the Keller article discloses each limitation of the asserted claims of the '176 patent, and for that reason we hold that those claims are anticipated.

III

The defendants contend that they are entitled to a new trial because the district court erred in instructing the jury on the definition of several terms used in the '265 patent. With respect to the term "transaction processor," the defendants repeat the same argument they made in addressing the district court's denial of their motion for JMOL of noninfringement and invalidity, i.e., that they were prejudiced because the instruction on that term differed from the court's *Markman* order. As we have explained, we agree with the district court's jury instruction on that claim term, and the court was not required to instruct the jury in strict conformity with the language of its pretrial *Markman* order.

[13] With regard to the terms "electronic markets" and "market apparatus," the defendants assert that the district court erred by failing to give jury instructions that those terms do not encompass "person-to-person" systems, but instead include only trusted networks that could transfer ownership. The defendants contend that the district court should have instructed the jury that electronic markets do not include "person-to-person" contacts. If it had done so, they argue, no reasonable jury could have found that eBay infringes, because eBay uses a "person-to-person" system.

The defendants' contention that the '265 patent prohibits buyers and sellers from having direct contact finds no support in ***1336** the '265 patent. The court was therefore correct not to include that interpretation in the jury instructions. Moreover, to the extent that the defendants contend that the district court's *Markman* order embraced their theory that the patent excluded person-to-person systems, they are incorrect. In its *Markman* order, the district court stated that "the patent teaches away from person-to-person auctions, favoring a system with a trusted intermediary." However, the court never defined what a "person-to-person" system entails. Rather, it merely determined that an electronic market must be a "trusted network or system," which is the correct interpretation.

IV

In its cross-appeal, MercExchange contests the summary judgment of invalidity as to the asserted claims of the '051 patent, and it asserts that the district court erred in construing certain terms used in that patent. MercExchange also challenges the district court's post-trial order denying MercExchange's request for a permanent injunction, enhanced damages, and attorney fees, and reducing the amount of the damages award by eliminating the $5.5 million in damages for eBay's inducement to infringe.

A

[14] Prior to trial, the defendants asserted that the claims of the '051 patent were invalid because the written description is inadequate to support either "establish[ing] a seller's account" or "debiting [or charging] a seller's account" for a fee. Claim 12 contains both terms and is representative of the independent claims at issue with regard to the '051 patent:

A computer-implemented method for facilitating

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Internet-based auctions, the method comprising:
Requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller;
Initiating an Internet-based auction for an item offered by the seller; and
Debiting the seller's account for a fee amount corresponding to a result of the auction.

The district court concluded, on summary judgment, that the reference to "establish[ing] a seller's account" was adequately supported by the written description, but that the process of "debiting the seller's account for a fee" was not. The court therefore held the asserted claims of the '051 patent invalid.

The district court construed the term "debiting a seller's account" to mean "record[ing] a debt (or charge) against a person's name or account." The court held that the written description of the patent provided support for recording a credit to a seller's account, but not for recording a debit against the seller's account. In so ruling, the court relied heavily on a statement from the written description that "[a]fter the transaction clears the charge ..., the consignment node credits the consignment node user's commission account ... to extract the consignment node transaction fee." '051 patent, col. 12, ll. 52-55. The court interpreted that statement as describing a process in which the consignment node takes the proceeds of a sale from the buyer, takes a commission or fee, credits the seller's account with the balance, and transfers that amount to the seller. Because the seller never owes money to the node, the court concluded that debiting never occurs in the disclosed process.

MercExchange argues that the joint declaration of its experts created a genuine issue of material fact as to the adequacy of the written description. The declaration explained that a person of ordinary skill in ***1337** the art would understand the process of extracting a fee or commission, as described in the written description, to involve "debiting a seller's account." We agree. The written description refers to the seller's agreement to allow the consignment node user to extract a consignment fee or commission following the sale. *See* '051 patent, col. 4, ll. 30-34; col. 5, ll. 37-39. It also refers to the consignment node user's creating a credit or deposit account for the participant and crediting the consignment node user's commission account to extract the commission. *See id.*, col. 12, ll. 44-46, 52-55. According to MercExchange's experts, a person of ordinary skill in the art would understand that creating a credit, as described in the specification, would require creating a corresponding debit against the proceeds due to the seller. Hence, MercExchange provided evidence that the specification would be understood by a person of skill in the art to describe a process that includes debiting the seller's account.

We thus conclude that MercExchange introduced sufficient evidence that the '051 patent was not invalid for lack of written description to create a genuine issue of material fact on that issue. Accordingly, we vacate that aspect of the judgment and remand for further proceedings.

B

[15] In connection with its challenge to the court's order invalidating the '051 patent, MercExchange argues that the district court made three errors in construing the claims of that patent. As an initial matter, the defendants assert that this court lacks jurisdiction to hear MercExchange's appeal regarding those errors because the construction of those terms was not relevant to the final judgment. Specifically, the defendants argue that this court should address only claim construction issues pertaining to the term "debiting," because that term was the sole basis for the district court's summary judgment determination. Because we are vacating and remanding with respect to the '051 patent, we have jurisdiction to address issues that may arise on remand, as part of our statutory authority to "require such further proceedings to be had as may be just under the circumstances." 28 U.S.C. § 2106. It is likely that the district court will be required to deal not only with the application of the term "debiting," but also with the application of other terms used in the '051 claims. Accordingly, we elect to address MercExchange's challenges to other claim construction issues at this juncture.

[16] First, MercExchange challenges the construction of the term "auction," asserting that the district court erred in construing the term as "a process over a trusted network, or with a trusted intermediary." MercExchange argues that the district court should not have required a "trusted" element. We disagree. The district court's construction is supported by the language of the specification, which states that the purpose of the patented system is "to provide a trusted network of consignment nodes that act as brokers to provide a means to electronically present a used good or collectable to an electronic market."

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'051 patent, col. 2, ll. 12-14.

[17] Second, MercExchange challenges the district court's construction of the following claim limitation, which appears in claims 10 and 12:
Requiring a seller to establish a seller's account, the seller's account being based at least on the seller's identity and a financial instrument associated with the seller.

In its *Markman* order, the district court ruled that "a seller's account must be established based at least on the seller's identity and a financial instrument associated with the seller." MercExchange ***1338** disagrees with the district court's construction on the ground that the comma between the words "account" and "the" in the claim makes the "identity" and "financial instrument" features optional. If the patentee had intended the two to be mandatory, MercExchange argues, the limitation would not have used a comma and would have read: "requiring the seller to establish a seller's account based at least on the seller's identity and a financial instrument associated with the seller."

MercExchange's textual argument is unconvincing. The claim states that a seller must establish "a seller's account," and then, after the comma, the word "seller's account" is used a second time and is directly preceded by the article "the." The use of the definite article indicates that the second use of the term "seller's account" refers to the term directly preceding the comma. We uphold the district court's construction.

[18] Finally, MercExchange asserts that the district court erred in construing the preamble phrases "automated method, performed by a computer-based auction system," and "computer-implemented method of conducting Internet-based auctions" in various claims of the '051 patent. The district court held that those phrases do not require that all steps following the preamble be performed by an automated process, as argued by MercExchange. Rather, only the steps that are claimed to occur automatically are required to be performed in that manner. MercExchange contends that the court's interpretation is inconsistent with the portion of the specification entitled "Computer Implementation," which provides different operating systems and platforms for use in a preferred embodiment of the invention. '051 patent, col. 7, line 59 through col. 8, line 9. That portion of the specification does not support MercExchange's argument, however. Various limitations of the relevant claims require actions by participants and cannot be "automatically performed via an automated process." For example, as the district court stated in its *Markman* order, claim 1 contains a limitation requiring that the computer system "receiv [e] bids on the item from participants." That step requires that participants enter their bids manually and cannot occur automatically. Likewise, one step of claim 12 requires that a seller "establish a seller's account." That step also requires that a seller manually enter relevant information into the system. Accordingly, the district court was correct in holding that not all steps had to be performed by way of an automated process.

C

MercExchange challenges the district court's refusal to enter a permanent injunction. Because the "right to exclude recognized in a patent is but the essence of the concept of property," the general rule is that a permanent injunction will issue once infringement and validity have been adjudged. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed.Cir.1989). To be sure, "courts have in rare instances exercised their discretion to deny injunctive relief in order to protect the public interest." *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed.Cir.1995); *see Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865-66 (Fed.Cir.1984) ("standards of the public interest, not the requirements of private litigation, measure the propriety and need for injunctive relief"). Thus, we have stated that a court may decline to enter an injunction when "a patentee's failure to practice the patented invention frustrates an important public need for the invention," such as the need to use an invention to protect public health. *Rite-Hite Corp.*, 56 F.3d at 1547.

***1339** [19] In this case, the district court did not provide any persuasive reason to believe this case is sufficiently exceptional to justify the denial of a permanent injunction. In its post-trial order, the district court stated that the public interest favors denial of a permanent injunction in view of "a growing concern over the issuance of business-method patents, which forced the PTO to implement a second level review policy and cause legislation to be introduced in Congress to eliminate the presumption of validity for such patents." A general concern regarding business-method patents, however, is not the type of important public need that justifies the unusual step of denying injunctive relief.

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Another reason the court gave for denying a permanent injunction was that the litigation in this case had been contentious and that if a permanent injunction were granted, the defendants would attempt to design around it. That strategy, in turn, would result in "contempt hearing after contempt hearing requiring the court to essentially conduct separate infringement trials to determine if the changes to the defendants' systems violates the injunction" and in "extraordinary costs to the parties, as well as considerable judicial resources."

[20] The court's concern about the likelihood of continuing disputes over whether the defendants' subsequent actions would violate MercExchange's rights is not a sufficient basis for denying a permanent injunction. A continuing dispute of that sort is not unusual in a patent case, and even absent an injunction, such a dispute would be likely to continue in the form of successive infringement actions if the patentee believed the defendants' conduct continued to violate its rights.

[21] The trial court also noted that MercExchange had made public statements regarding its willingness to license its patents, and the court justified its denial of a permanent injunction based in part on those statements. The fact that MercExchange may have expressed willingness to license its patents should not, however, deprive it of the right to an injunction to which it would otherwise be entitled. Injunctions are not reserved for patentees who intend to practice their patents, as opposed to those who choose to license. The statutory right to exclude is equally available to both groups, and the right to an adequate remedy to enforce that right should be equally available to both as well. If the injunction gives the patentee additional leverage in licensing, that is a natural consequence of the right to exclude and not an inappropriate reward to a party that does not intend to compete in the marketplace with potential infringers.

[22] Finally, we do not agree with the court that MercExchange's failure to move for a preliminary injunction militates against its right to a permanent injunction. A preliminary injunction is extraordinary relief that is available only on a special showing of need for relief *pendente lite;* a preliminary injunction and a permanent injunction "are distinct forms of equitable relief that have different prerequisites and serve entirely different purposes." *Lermer Germany GmbH v. Lermer Corp.,* 94 F.3d 1575, 1577 (Fed.Cir.1996). We therefore see no reason to depart from the general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances. Accordingly, we reverse the district court's denial of MercExchange's motion for a permanent injunction.

D

MercExchange argues that the district court abused its discretion by refusing to enhance damages and award attorney fees. MercExchange asserts that the district ***1340** court erred in its analysis of the factors set forth in *Read Corp. v. Portec, Inc.,* 970 F.2d 816, 826-27 (Fed.Cir.1992). The defendants respond that the district court properly considered each of the *Read* factors. We agree with the defendants. In determining that MercExchange was not entitled to enhanced damages, the district court carefully analyzed each of the *Read* factors and based its conclusions on the jury's factual findings and evidence in the record. In analyzing those factors, the court did not abuse its discretion.

The court also addressed the relevant factors that bear on whether to award attorney fees, including "the degree of culpability of the infringer," "the closeness of the question," and "litigation behavior." *Superior Fireplace Co. v. Majestic Prods. Co.,* 270 F.3d 1358, 1378 (Fed.Cir.2001), quoting *Nat'l Presto Indus., Inc. v. W. Bend Co.,* 76 F.3d 1185, 1197 (Fed.Cir.1996). Again, the court did not abuse its discretion in applying those factors in the factual context of this case. We therefore affirm the portion of the judgment denying an award of enhanced damages or attorney fees.

Each party shall bear its own costs for this appeal.

AFFIRMED IN PART, REVERSED IN PART, VACATED IN PART, and REMANDED.

C.A.Fed. (Va.),2005.
MercExchange, LLC v. eBay, Inc.
401 F.3d 1323, 74 U.S.P.Q.2d 1225

Briefs and Other Related Documents (Back to top)

- 03-1616 (Docket) (Sep. 08, 2003)
- 03-1600 (Docket) (Aug. 25, 2003)

END OF DOCUMENT

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ATTACHMENT G

to APPEAL BRIEF submitted January 22, 2007

Appl. No. 10/782,977, filed February 23, 2004
Atty. Dkt. No. 31921-192598

H

243 F.3d 558, 2000 WL 1205154 (C.A.Fed.)
Briefs and Other Related Documents

NOTICE: THIS IS AN UNPUBLISHED OPINION.(The Court's decision is referenced in a "Table of Decisions Without Reported Opinions" appearing in the Federal Reporter. Use FI CTAF Rule 47.6 for rules regarding the citation of unpublished opinions.)

United States Court of Appeals, Federal Circuit.

SPACE SYSTEMS/LORAL, INC., Plaintiff-Appellant,

v.

LOCKHEED MARTIN CORPORATION, Defendant-Cross Appellant.

Nos. 99-1255, 99-1289.

Aug. 23, 2000.

Before NEWMAN , MICHEL , and LOURIE, Circuit Judges.

DECISION

LOURIE, Circuit Judge.

***1** Space Systems/Loral, Inc. ("SSL") appeals from the decision of the United States District Court for the Northern District of California granting Lockheed Martin Corporation's motions for summary judgment that its Series 7000 and A2100 Series satellites do not infringe claim 1 of U.S. Patent 4,767,084 (the "Chan patent") or claim 3 of U.S. Patent 5,100,084 (the "Rahn patent") and denying SSL's corresponding cross-motions. *See Space Sys./ Loral, Inc. v. Lockheed Martin Corp.*, No. C-96-3418-SI, 1998 WL 1045304, at *8 (N.D.Cal. Aug. 5, 1998) (order) (*"Space I"*); *Space Sys./Loral, Inc. v. Lockheed Martin Corp.*, No. C-96-3418-SI, 1998 WL 1045302, at *9 (N.D.Cal. Aug. 5, 1998) (order) (*"Space II"*); *Space Sys./Loral, Inc. v. Lockheed Martin Corp.*, No. C-96-3418-SI, 1998 WL 1045303, at *9 (N.D.Cal. Dec. 21, 1998) (order) (*"Space III"*). Lockheed cross-appeals from the district court's decision denying its motion for summary judgment that claim 3 of the Rahn patent is invalid under 35 U.S.C. § 112, ¶ 2 for indefiniteness. *See Space II*, 1998 WL 1045302, at *4. For the reasons set forth in this opinion, we *affirm*.

DISCUSSION

A. *Background*

SSL is the assignee of the Chan and Rahn patents, both of which relate to control systems for communication satellites. Communication satellites typically operate in a geosynchronous equatorial orbit, circling the earth once every twenty-four hours in the equatorial plane, thereby maintaining the same position relative to the earth's surface. *See Space I*, 1998 WL 1045304, at *1. Such positioning enables the satellite to maintain a consistent relationship with the ground transmitters from which it receives radio signals. *See id.* For optimal performance, the satellite must also maintain a proper attitude, *i.e.*, orientation of the satellite relative to its direction of motion, to ensure that its on-board communication devices (*e.g.*, antennae) are pointed in the proper direction. *See id.*

While orbiting the earth, satellites are subject to various destabilizing forces, such as the gravitational forces of the sun or moon, that can cause the satellite to drift behind or move ahead in its orbit (east-west drift), or drift out of its equatorial orbit and into an inclined orbit (north-south drift). *See id.* In order to maintain a satellite's "pointing accuracy," *i.e.*, its ability to receive radio signals from a particular ground transmitter and relay them to a specific target area, a satellite's position and attitude must be periodically adjusted. *See id.*

"Stationkeeping" is the process by which a satellite maintains its designated position in orbit around the earth, and it is typically accomplished through the use of small thrusters located on the surface of the satellite. *See id.* at *2. An east-west station-keeping maneuver, for example, involves firing thrusters to either speed up or slow down a satellite's orbit to return the satellite to its proper position. *See id.* Alternatively, a north-south stationkeeping maneuver involves firing thrusters to return a satellite that has drifted into an inclined orbit back to the equatorial plane. *See id.*

***2** Satellites generally employ one or more momentum wheels to maintain proper attitude. *See id.* A spinning momentum wheel creates angular momentum, thereby providing resistance to the twisting forces that can affect a satellite's attitude. *See*

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id . While the angular momentum created by a spinning momentum wheel does not provide any resistance to forces that would twist the satellite around the axis of the wheel, such forces may be offset by changing the speed of the wheel. *See id.* Eventually, however, the momentum wheel will become "saturated" with excess angular momentum. *See id.* A saturated momentum wheel, *i.e.,* one that is spinning too fast or too slowly to control a satellite's attitude, requires desaturation to return the wheel to its nominal spin rate. *See id.* Desaturation may be accomplished by using the wheel's motor to either slow down or speed up the wheel, while firing thrusters to prevent the satellite from twisting around the axis of the wheel. *See id.*

The Chan patent is directed to an apparatus for autonomously performing stationkeeping maneuvers for three-axis stabilized spacecraft such as geosynchronous satellites. *See* Chan patent, Abstract. The claimed apparatus includes means for performing desaturation of the momentum wheel "while simultaneously accomplishing a preselected compensation of the spacecraft's east-west orbital position." *Id.* at col. 1, II. 60-62. In other words, the claimed apparatus "automatically compensates for ... east-west drift, while simultaneously allowing for desaturation of the wheels." *Id.* at col. 2, II. 53-55. The written description states that one of the advantages of the claimed apparatus is that "[a]ll manual east-west stationkeeping maneuvers are eliminated." *Id.* at col. 1, II. 64-65.

Claim 1, the only claim in the Chan patent at issue, reads as follows:

> 1. Apparatus for controlling a 3-axis stabilized spacecraft, comprising:
> [a] at least one momentum/reaction wheel mounted on board the spacecraft's attitude with respect to an axis;
> [b] a set of thrusters mounted about the periphery of the spacecraft for desaturating the momentum/reaction wheel and for accomplishing change in velocity maneuvers;
> [c] coupled to the momentum/reaction wheel, means for determining when the momentum/reaction wheel reaches saturation; and
> [d] coupled to the determining means, means for performing any desired desaturation of the momentum/reaction wheel while *automatically* and simultaneously accomplishing a preselected compensation of the spacecraft's east-west position.

Id. at col. 6, II. 28-44 (emphasis and formatting added).

The Rahn patent is directed to a method and apparatus for controlling the attitude of a momentum bias spacecraft that has drifted into an inclined orbit. *See* Rahn patent, col. 5, II. 50-53. Once a satellite's thruster propellant is substantially exhausted, the satellite will no longer be able to perform stationkeeping maneuvers to maintain an equatorial orbit, and will begin drifting into an inclined orbit. *See id.* at col. 1., II. 42-48. As the angle of inclination of the satellite increases, it becomes increasingly difficult to maintain the pointing accuracy of the satellite. *See id.* at col. 1, II. 49-51. The Rahn patent discloses an attitude control apparatus that includes an on-board computer that uses orbit information to control the pointing trajectory of a satellite's aim point according to a predetermined attitude tracking model. *See id.* at col. 5, II. 54-58. According to the written description, by maintaining the pointing accuracy of a satellite after it has expended most of its propellant and has drifted into an inclined orbit, the claimed apparatus extends the operational life of the satellite without increasing the amount of propellant required, or the costs associated with such propellant. *See id.* at col. 6, I. 62 to col. 7, I. 8.

***3** Claim 3, the only claim in the Rahn patent at issue, reads as follows:

> 3. In a satellite attitude control, the apparatus comprising:
> [a] a first and a second sensor to passively determine alignment errors for a first and a second axis of the satellite;
> [b] a momentum biasing attitude control apparatus for effecting attitude control in response to roll commands, pitch commands, and *yaw momentum commands;*
> [c] a model generating circuit for receiving a generalized attitude definition for the spacecraft;
> [d] a modelling circuit, coupled to said model generating circuit, for receipt of said generated model and determination of appropriate roll commands, pitch commands, and *yaw momentum commands* to established [sic] a particular aim point for a selected target;
> [e] a short term tracker circuit, coupled to said modelling circuit, said first and second sensors, and said attitude control apparatus, for receipt of said commands and to provide attitude control information in response to said commands appropriate to position the spacecraft at said commanded position to provide tracking and damping of nutational dynamics; and
> [f] *a long term tracker* to observe long term orbit rate dynamics.

Id. at col. 11, II. 3-30 (emphasis and formatting

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added).

Lockheed manufactures and sells the Series 7000 and A2100 Series satellites, which are three-axis stabilized, geosynchronous communication satellites that utilize thrusters and momentum wheels to maintain their position and attitude. While the Series 7000 satellites employ a single momentum wheel that is connected to the satellite body by a pivot mechanism, the A2100 Series satellites employ four momentum wheels that are arranged in a pyramidal configuration. *See* Space II, 1998 WL 1045302, at *9. Both satellites are capable of performing momentum wheel desaturation while simultaneously performing stationkeeping maneuvers that are initiated by a ground operator. *See* Space I, 1998 WL 1045304, at *7.

SSL sued Lockheed, alleging that Lockheed's Series 7000 and A2100 Series satellites infringed claim 1 of the Chan patent and claim 3 of the Rahn patent. Lockheed filed motions for summary judgment of noninfringement and summary judgment that claim 3 of the Rahn patent is invalid under 35 U.S.C. § 112 for, *inter alia,* indefiniteness. SSL cross-moved for summary judgment of infringement. Via three separate orders, the district court denied Lockheed's motion for summary judgment of invalidity but granted Lockheed's motions for summary judgment of noninfringement. *See* Space I, 1998 WL 1045304, at *8; Space II, 1998 WL 1045302, at *9; Space III, 1998 WL 1045303, at *9.

SSL appeals the district court's infringement rulings, and Lockheed cross-appeals the court's validity ruling. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1994).

B. *Standards of Review*

Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c). "The evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in his favor." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). We review a district court's grant of a motion for summary judgment *de novo. See Ethicon Endo-Surgery, Inc. v. United States Surgical Corp.*, 149 F.3d 1309, 1315, 47 USPQ2d 1272, 1275 (Fed.Cir.1998). "In reviewing a denial of a motion for summary judgment, we give considerable deference to the trial court, and will not disturb the trial court's denial of summary judgment unless we find that the court has indeed abused its discretion." *Elekta Instrument S.A. v. O.U.R. Scientific Int'l, Inc.*, 214 F.3d 1302, 1306, 54 USPQ2d 1910, 1912 (Fed.Cir.2000).

***4** When both parties move for summary judgment, the court must evaluate each motion on its own merits, resolving all reasonable inferences against the party whose motion is under consideration. *See McKay v. United States*, 199 F.3d 1376, 1380 (Fed.Cir.1999). "If there are no material facts in dispute precluding summary judgment, our task is to determine whether the judgment granted is correct as a matter of law." *Elekta*, 214 F.3d at 1306, 54 USPQ2d at 1912.

A determination of infringement requires a two-step analysis. *See Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1476, 45 USPQ2d 1498, 1500 (Fed.Cir.1998). "First, the claim must be properly construed to determine its scope and meaning. Second, the claim as properly construed must be compared to the accused device or process." *Id.* (quoting *Carroll Touch, Inc. v. Electro Mechanical Sys., Inc.*, 15 F.3d 1573, 1576, 27 USPQ2d 1836, 1839 (Fed.Cir.1993)).

Claim construction is an issue of law, *see Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970-71, 34 USPQ2d 1321, 1322 (Fed.Cir.1995) (en banc), *aff'd,* 517 U.S. 370 (1996), that we review *de novo. See Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456, 46 USPQ2d 1169, 1172 (Fed.Cir.1998) (en banc). Determination of infringement, whether literal or under the doctrine of equivalents, is a question of fact. *See Bai v. L & L Wings, Inc.*, 160 F.3d 1350, 1353, 48 USPQ2d 1674, 1676 (Fed.Cir.1998). Whether a claim is invalid under section 112, paragraph 2 for indefiniteness is a question of law that we review *de novo. See Personalized Media Communications, LLC v. International Trade Comm'n*, 161 F.3d 696, 702, 48 USPQ2d 1880, 1886 (Fed.Cir.1998).

C. *Infringement*

1. *The Chan Patent*

SSL argues that the district court erred in construing the "automatically" limitation in claim 1 of the Chan

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patent to mean "autonomously." SSL contends that the plain meaning of "automatically" is "having a self-acting or self-regulatory mechanism," and that "automatically" does not mean "undertaken or carried out without any outside control." SSL argues that the claim only requires that desaturation and east-west stationkeeping occur simultaneously and without further manual commands from the ground; it does not preclude such maneuvers from being initiated by ground control commands. SSL further argues that Lockheed's satellites literally infringe claim 1, and that prosecution history estoppel does not preclude infringement under the doctrine of equivalents.

Lockheed responds that SSL's proposed claim construction is inconsistent with the written description, and that the district court properly concluded that the accused satellites do not infringe claim 1, either literally or under the doctrine of equivalents. Lockheed emphasizes the fact that the accused satellites require a ground operator to initiate stationkeeping maneuvers. Lockheed contends that the Chan patent does not disclose manually initiated east-west stationkeeping, and instead discloses that desaturation maneuvers are initiated by the satellite itself, not by a ground operator. Lockheed further contends that SSL failed to present any evidence of any structural equivalence under 35 U.S.C. § 112, ¶ 6, and that the district court correctly concluded that the accused satellites do not perform the same functions as recited in the claim.

***5** In interpreting claims, a court "should look first to the intrinsic evidence of record, *i.e.*, the patent itself, including the claims, the specification and, if in evidence, the prosecution history." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582, 39 USPQ2d 1573, 1577 (Fed.Cir.1996). Absent an express intent to impart a novel meaning, "terms in a claim are to be given their ordinary and accustomed meaning." *Renishaw PLC v. Marposs Societa' Per Azioni*, 158 F.3d 1243, 1249, 48 USPQ2d 1117, 1121 (Fed Cir.1998) ; *Carroll Touch*, 15 F.3d at 1577, 27 USPQ2d at 1840 ("The words of a claim are generally given their ordinary and accustomed meaning, unless it appears from the specification or the file history that they were used differently by the inventor.").

As an initial matter, we do not agree with SSL's assertion that the district court erred in construing the term "automatically" to mean "autonomously." The disputed portion of claim 1 reads as follows:

> [d] coupled to the determining means, means for performing any desired desaturation of the momentum/reaction wheel while *automatically and simultaneously accomplishing a pre-selected compensation of the spacecraft's east-west position.*

Chan patent, col. 6, ll. 40-44 (emphasis added). Given its ordinary meaning, the term "automatically" denotes that the claimed apparatus is capable of performing east-west stationkeeping *independently,* without any external control. *See, e.g.*, Webster's II New Riverside University Dictionary 140 (1988) (defining "automatic" as "1. a. Acting or operating in a manner essentially independent of external influence or control. b. Self-regulating."). The term "autonomously" has a similar ordinary meaning, likewise denoting independent operation. *See id.* (defining "autonomous" as "1. a. Independent. b. Self-contained."). Thus, the district court's construction is supported by the ordinary meaning of those terms.

The district court's construction is also consistent with the specification. The written description explicitly states that one of the advantages of the present invention is that "[a]ll manual east-west stationkeeping maneuvers are eliminated." Chan patent, col. 1, ll. 63-65. Moreover, the abstract indicates that the claimed invention relates to an "apparatus for *autonomously* performing stationkeeping maneuvers for three-axis stabilized spacecraft." *Id.*, Abstract (emphasis added). FN1 The abstract further states that "the invention *autonomously* performs desaturation of a momentum/reaction wheel ... while simultaneously accomplishing the preselected compensation of the spacecraft's east-west position." *Id.*, Abstract (emphasis added). Accordingly, given that the elimination of "all manual east-west stationkeeping maneuvers" is one of the stated advantages of the claimed apparatus, and the fact that the terms "automatically" and "autonomously" are used interchangeably in the specification, we conclude that the district court did not err in construing the term "automatically" to mean that the claimed apparatus is "capable of performing multiple, *autonomous* east-west changes in position over a substantial period of time without ground transmissions concerning the parameters of such movements." *Space I*, 1998 WL 1045304, at *6 (emphasis added).

> FN1. Although SSL argues that it was improper for the district court to rely on the abstract in construing the claim, we have previously stated that in determining the

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> scope of a claim, the abstract of a patent is a potentially useful source of intrinsic evidence as to the meaning of a disputed claim term. *See* Hill-Rom Co. v. Kinetic Concepts, Inc., 209 F.3d 1337, 1341 n.,* 54 USPQ2d 1437, 1440 n. 1 (Fed.Cir.2000).

*6 Based on this construction, we agree with Lockheed that the district court correctly concluded that there is no genuine issue of material fact that the accused satellites do not literally infringe claim 1. As noted by the district court, the evidence was uncontradicted that the accused satellites require a ground operator, rather than an automatic means, to select which thrusters to fire in order to perform an east-west change in position. *See id.* at *7. Moreover, it is undisputed that the Series 7000 and A2100 series satellites require manual initiation by the ground operator each time east-west stationkeeping is required. *See id.*

SSL argues that claim 1 does not preclude manual initiation of simultaneous stationkeeping and desaturation maneuvers. However, we agree with Lockheed that manual initiation is antithetical to the concept of being automatic. Moreover, examination of the specification shows that manual initiation of such maneuvers is neither disclosed nor contemplated by the Chan patent. While the written description discloses that ground commands are sent to the satellite via a transmitting antenna, such commands are comprised of two components: an east-west firing bias and a firing period bias. *See* Chan patent, col. 3, ll. 38-43. According to the written description, the east-west firing bias is "a binary integer designating the number of times a thruster must be fired over a preselected firing period in order to compensate for the east-west drift." *Id.* at col. 3, ll. 44-47. Thus, while a ground operator determines the frequency of thruster firings and the duration of the firing period, the ground operator does not manually *initiate* the simultaneous stationkeeping and desaturation maneuvers. Instead, desaturation (as well as simultaneous stationkeeping) is initiated by "automatic desaturation logic," not by a ground operator. *See id.* at col. 3, l. 66 to col. 4, l. 2. Moreover, manual initiation of east-west stationkeeping maneuvers is directly contrary to the stated objective of eliminating "all manual east-west stationkeeping maneuvers." *Id.* at col. 1, ll. 63-65. We therefore agree with Lockheed that the district court did not err in concluding that there is no genuine issue of material fact concerning whether the accused satellites literally infringe claim 1.

We also find no error in the district court's conclusion that there is no genuine issue of material fact that the accused satellites do not infringe under the doctrine of equivalents. The district court stated that SSL did not provide "any fact evidence ... which would support the contention that equivalent elements are actually employed in defendant's satellites." *Space I*, 1998 WL 1045304, at *8. Because SSL does not dispute the district court's determination that SSL failed to provide any evidence of equivalency, we agree with Lockheed that the district court properly granted Lockheed's motion for summary judgment of noninfringement under the doctrine of equivalents.

2. *The Rahn Patent*

*7 SSL argues that the district court erred in construing the "yaw momentum commands" limitation in claim 3 of the Rahn patent to mean "instructions to at least two nonparallel momentum/reaction wheels in a pitch/yaw plane of a spacecraft," thereby improperly reading limitations from the specification into the claims and violating the doctrine of claim differentiation. SSL contends that claim 3 does not specify a particular type of wheel system or configuration, and that, unlike unasserted claims 1, 4, and 5, claim 3 is not limited to "V-wheel" system. Accordingly, SSL argues that the district court erred in concluding as a matter of law that Lockheed's satellites do not infringe claim 3 of the Rahn patent, either literally or under the doctrine of equivalents.

Lockheed responds that the district court's construction of the term "yaw momentum commands" is supported by the specification and consistent with its plain meaning. Lockheed argues that the district court properly concluded as a matter of law that the accused satellites do not infringe claim 3, either literally or under the doctrine of equivalents, because there is no dispute that they do not have at least two nonparallel momentum wheels in a pitch/yaw plane. Lockheed also contends that the accused satellites do not infringe because they do not satisfy the "long term tracker" limitation in the claim.

We agree with Lockheed that the district court did not err in construing the term "yaw momentum commands." Claim 3 of the Rahn patent defines an attitude control apparatus that employs "yaw momentum commands" to correct for a satellite's pointing inaccuracies during inclined orbit. The disputed portion of that claim reads as follows:

> [b] a momentum biasing attitude control apparatus

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> for effecting attitude control in response to roll commands, pitch commands, and *yaw momentum commands;*
>
> [d] a modelling circuit, coupled to said model generating circuit for receipt of said generated model and determination of appropriate roll commands, pitch commands, and *yaw momentum commands* to established [sic] a particular aim point for a selected target;
>
> [f] a *long term tracker* to observe long term orbit rate dynamics.

Rahn patent, col. 11, ll. 8-30 (emphasis added). The district court construed "yaw momentum commands" to mean "instructions to at least two nonparallel momentum/reaction wheels in a pitch/yaw plane of a spacecraft concerning the wheels' relative rates of speed, the purpose of which is to control the angular momentum in the yaw direction and to control the attitude of the satellite by changing the roll angle." *Space II*, 1998 WL 1045302, at *8.

While it is improper to read limitations from the written description into a claim, claims must be read in light of the specification of which they are a part. *See Renishaw*, 158 F.3d at 1248, 48 USPQ2d at 1120. The written description states that one of the objectives of the claimed apparatus is "to provide for roll angle tracking by varying a distribution of yaw momentum between a roll angle Fi and a yaw momentum in the wheels hz. Distribution of yaw momentum is controlled by varying [the] speed of a momentum wheel through *yaw momentum commands* hzc." Rahn patent, col. 4, ll. 50-55 (emphasis added). The only embodiment disclosed in the patent includes a "momentum command distribution matrix" that converts momentum commands to "wheel speed commands," which are provided to a "wheel momentum control circuit." *See id.* at col. 8, l. 68 to col. 9, l. 4; Fig. 3. The written description explains that "[m]omentum is stored along a pitch axis and a yaw axis of the spacecraft. This requires *at least two nonparallel momentum/reaction wheels in a pitch/yaw plane* of a spacecraft." *Id.* at col. 9, ll. 5-10 (emphasis added). In light of this clear and express language in the specification, we conclude that the district court did not err in construing the term "yaw momentum commands" to mean "instructions to at least two nonparallel momentum/reaction wheels in a pitch/yaw plane of a spacecraft concerning the wheels' relative rates of speed, the purpose of which is to control the angular momentum in the yaw direction and to control the attitude of the satellite by changing the roll angle." *Space II*, 1998 WL 1045302, at *8.

***8** SSL argues that the district court read into claim 3 the specific "V-wheel system" limitation found in unasserted claims 1, 4, and 5, thereby violating the doctrine of claim differentiation. We disagree. The district court did not limit claim 3 to V-wheel systems, and, in fact, specifically noted that "[i]ncluded among acceptable wheel configurations are the L-wheel system and the V-wheel system." *Id.* (quoting Rahn patent, col. 9, ll. 6-10). Moreover, it is undisputed that both L-wheel and V-wheel systems typically have two nonparallel momentum wheels in the pitch/yaw plane of a spacecraft. Thus, under the district court's construction, claim 3 is not limited to V-wheel systems and may read on other types of wheel systems (*e.g.*, L-wheel systems). We therefore conclude that SSL's claim differentiation argument is without merit.

Moreover, we do not agree with SSL's argument that the district court erred in concluding as a matter of law that the accused satellites did not infringe claim 3, either literally or under the doctrine of equivalents. With respect to the Series 7000 satellite, it is undisputed that those satellites employ a "pivot wheel" system with a *single* momentum wheel, *see id.* at *9, and therefore do not have *"at least two* nonparallel momentum/reaction wheels." We therefore agree with the district court that there is no genuine issue of material fact that the accused satellites do not literally infringe claim 3. The district court also concluded that the Series 7000 satellites do not as a matter of law infringe under the doctrine of equivalents because they do not contain elements equivalent to those in the claim that relate to "yaw momentum commands." *See id.* Relying solely on its claim construction arguments, SSL's only argument concerning infringement under the doctrine of equivalents is that the district court misapplied the "all limitations rule" by adding a limitation from the specification into the claim. Having affirmed the district court's claim construction, however, we have no basis for concluding that the district court's doctrine of equivalents conclusion was in error. Accordingly, we conclude that the district court did not err in granting Lockheed's motions for summary judgment that the Series 7000 satellites did not infringe claim 3, literally or under the doctrine of equivalents.

As for the A2100 Series satellites, the parties agree that those satellites employ four momentum wheels, *see id.*, and therefore have "at least two nonparallel momentum/reaction wheels." However, as noted by

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the district court:

> The spin axes of the reaction wheels are angled at 30 degrees relative to the pitch axis and the wheels are positioned about the pitch axis such that *the plane that passes through the axes of each pair of opposed wheels projects midway (45 degrees) between the roll and yaw axes.*

Id. (emphasis added). Thus, the momentum wheels in the A2100 Series satellites are not located "in a pitch/yaw plane of a spacecraft." Instead, they are located 30 degrees off the pitch axis in a plane that is 45 degrees from the pitch/yaw plane. We therefore agree with the district court that there is no genuine issue of material fact that the accused satellites do not literally infringe claim 3. Moreover, while the claim explicitly requires separate roll commands and yaw momentum commands to affect the roll angle of a satellite, the A2100 Series satellites only use one command to control roll angle. *See* Space III, 1998 WL 1045303, at *6. The district court therefore concluded that the A2100 Series satellites do not as a matter of law infringe under the doctrine of equivalents because they accomplish attitude control by redistributing angular momentum in a substantially different way from the claimed apparatus. *See id.*

***9** Relying primarily on its claim construction arguments, SSL's only other argument regarding infringement under the doctrine of equivalents is that the district court misapplied the summary judgment standard by drawing factual inferences against SSL and making factual determinations regarding the equivalency of the A2100 Series satellites' torque commands. Specifically, SSL asserts that the district court ignored the declaration of its expert witness, Dr. Kaplan, and "inappropriately adopted Lockheed Martin's chart as fact-a chart that was neither a part of nor supported by the record." SSL's first assertion, however, is belied by the fact that the district court explicitly referred to Dr. Kaplan's declaration in its discussion of the "long term tracker" limitation. *See id.* at *8 ("SSL also offers the declaration of Dr. Kaplan that upon reading the Rahn patent, one of ordinary skill in the art would understand that the long term tracker may involve the use of a ground controller."). As for SSL's second assertion, there is no indication by the district court that it "adopted Lockeed Martin's chart as fact." Rather, in setting forth Lockheed's noninfringement arguments, the district court merely stated in a footnote that "Lockheed presented a diagram relating to its dissimilarity arguments; the diagram is attached hereto as Exhibit A." *Id.* at *5 n. 4. Accordingly, we do not agree with SSL that the district court misapplied the summary judgment standard by drawing factual inferences against SSL and making factual determinations regarding the equivalency of the A2100 Series satellites' torque commands. Having affirmed the district court's claim construction, we therefore conclude that the district court correctly granted Lockheed's motions for summary judgment that the A2100 Series satellites do not infringe claim 3, either literally or under the doctrine of equivalents.

D. *Validity*

Lockheed argues in its cross-appeal that the district court erred in denying its motion for summary judgment that claim 3 of the Rahn patent is invalid under section 112, paragraph 2, for indefiniteness. Lockheed contends that a competitor would be unable to reasonably ascertain the scope of claim 3 because the limitations in the claim are not adequately described in the written description, and because there are numerous inconsistencies between the claim language, the written description, and the testimony of the inventor. Lockheed further contends that the court erred by focusing on whether one skilled in the art would understand the scope of the claimed invention, and in concluding that Lockheed had failed to present any evidence in that regard.

SSL responds that this court lacks jurisdiction to review the denial of Lockheed's motion for summary judgment because it is not a final, appealable order. SSL alternatively argues that the district court did not abuse its discretion in denying Lockheed's summary judgment motion because Lockheed failed to provide sufficient factual evidence regarding invalidity. SSL further contends that the district court properly applied the objective test of whether one of skill in the art would understand the scope of the claim, and that it correctly concluded that Lockheed failed to provide any factual evidence in that regard.

***10** Section 112, paragraph 2 requires that a patent specification "conclude with one or more claims *particularly pointing out and distinctly claiming* the subject matter which the applicant regards as his invention." 35 U.S.C. § 112, ¶ 2 (emphasis added). A determination whether a claim is indefinite depends on whether one skilled in the art would understand the scope of the claim when read in light of the specification. *See* Personalized Media, 161 F.3d at 705, 48 USPQ2d at 1888. "If the claims read in light of the specification reasonably apprise those skilled in the art of the scope of the invention, § 112

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demands no more." *Id.*

As an initial matter, we disagree with SSL's assertion that this court lacks jurisdiction to review the denial of Lockheed's motion for summary judgment of invalidity. Although a denial of a motion for summary judgment is generally not subject to immediate review, an appellate court may have pendent jurisdiction over such an interlocutory order if it is "inextricably entwined factually" with an appealable order. *See* 10A Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 2715 (3d ed.1998); 11 James WM. Moore, Moore's Federal Practice § 56.41[2][c] (3d ed.1999). For example, in *SunTiger, Inc. v. BluBlocker Corp.*, 189 F.3d 1327, 1333, 51 USPQ2d 1811, 1815, this court reviewed the denial of a motion for summary judgment of invalidity in an appeal in which the district court granted a motion for summary judgment of noninfringement. Likewise, in the present case, because the district court granted Lockheed's motion for summary judgment of noninfringement, we have jurisdiction to review the denial of its motion for summary judgment on the closely related issue of invalidity.

We agree, however, with SSL's alternative argument that the district court did not abuse its discretion in denying Lockheed's motion for summary judgment on invalidity. The court properly focused on whether one skilled in the art would understand the scope of the claim when it is read in light of the specification. *See Personalized Media*, 161 F.3d at 705, 48 USPQ2d at 1888. Notwithstanding Lockheed's attempts to identify logical inconsistencies within the patent, and between the patent and the inventor's testimony, Lockheed failed to submit any evidence proving that one of skill in the art would not be able to understand the scope of the claim. *See Space II*, 1998 WL 1045302, at *4 ("Conspicuously absent is any evidence of the opinions of those 'skilled in the art.' The Court is therefore unable to conclude that those 'skilled in the art' are unable to understand the invention claimed in the Rahn patent."). Because we conclude that the district court did not abuse its discretion, we decline to disturb the district court's denial of summary judgment on invalidity.

E. *Conclusion*

Having considered all of the parties' arguments, we conclude that the district court did not err in granting Lockheed's motions for summary judgment of noninfringement and denying SSL's corresponding cross-motions. We further conclude that the district court did not err in denying SSL's motion for summary judgment that claim 3 of the Rahn patent is invalid for indefiniteness. We therefore affirm.

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